Indigo Books & Music Inc.

Annual Information Form

For the fiscal year ended April 1, 2017

May 30, 2017

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 information.

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, results of operations, and strategic priorities and objectives as at, and for the periods ended, on the dates presented, and may not be appropriate for other purposes.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information. Certain factors or assumptions are applied in making forward-looking information, and actual results may differ materially from those expressed or implied in such information. Information about factors or assumptions that could cause actual results to differ materially from expectations and that are applied in making forward-looking information 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 April 1, 2017 compared to the 53 weeks ended April 2, 2016) and elsewhere in the Company's filings with Canadian securities regulators.

Except as required by law, the Company does not undertake any obligation to publicly update 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.

Indigo Books & Music Inc.

CORPORATE STRUCTURE

Name, Address, and Incorporation

Indigo Books & Music Inc. ("Indigo" or the "Company") 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. 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 the Company as of May 30, 2017, 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%	Delaware, USA
Indigo Design Studio, Inc. (formerly Soho Studios, Inc.) …...…………………	100%	Delaware, USA
Indigo Cultural Department Store Inc. ……………………………………………….	100%	Delaware, USA
YYZ Holdings Inc………………………………………………………………………………..	100%	Delaware, USA

DESCRIPTION OF THE BUSINESS

Indigo is Canada's largest book, gift, and specialty toy retailer, with store locations in all ten provinces and one territory in Canada and online sales through the *indigo.ca* website and the Company's mobile applications. The Company is a leading gift destination with an extensive selection of books, toys, paper, and lifestyle products. Indigo operates its stores under the names *Indigo*, *Chapters*, *Coles*, *Indigospirit*, *SmithBooks*, and *The Book Company*. Digital platforms feature expanded book title selections, paper, lifestyle products, and a broad assortment of toys, along with eBooks through the Company's agreement with Rakuten Kobo Inc. ("Kobo").

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

Product Categories

Books

The Company currently has an active list of approximately 500,000 book titles purchased from more than 25 major publishers. In addition, the Company offers up to two million titles through its digital platforms and, when requested by a customer, Indigo will special order any book currently in print.

The Company's category managers have significant book industry experience, each specializing in one or more subject areas such as fiction, non-fiction, lifestyle, and kids. Category managers are presented with 60,000 to 75,000 new titles for consideration each year and use their knowledge and experience to choose which new titles to include (approximately 25,000 per year) in the Company's active assortment and which titles to remove (approximately 20,000 to 25,000 per year).

The Company 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 the Company purchases are eligible for return to suppliers for full credit. The Company is responsible only for transportation and labour costs associated with these returns. Historically, the Company has returned approximately 23% to 30% of the books purchased under these arrangements.

eBooks

The Company continues to support eReading via the Kobo service on a variety of devices available to Canadians. The Company's customers can find eBooks on *indigo.ca*, which links directly to the Kobo site for purchase. These eBook purchases generate income for the Company through a revenue-sharing agreement with Kobo.

General Merchandise

The Company continues to focus on improving its selection of lifestyle, paper, and toy products and is committed to becoming the premier year-round gifting destination in Canada. With the !ndigoKids® concept available in stores across the country, the Company is a leading destination for kids' products, focusing on books, creative play, and specialty toys. The Company also has an expanded selection of general merchandise products on *indigo.ca*, including Indigo's entire assortment of American Girl®[1] specialty products.

While the sale of books and book-related products are expected to continue as the Company's core product line, management believes that a curated selection of general merchandise effectively adds incremental revenue and gross margin to existing sales. The Company highlights general merchandise products that complement its core business and also continues to develop and expand its proprietary gift and lifestyle merchandise as part of its effort to provide customers with increasingly meaningful and life-enriching merchandise while improving operating margins.

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

The Company's design and global sourcing team in New York (Indigo Design Studios Inc.) develops proprietary merchandise exclusively for Indigo. The Toronto merchandising team works closely with the design and global sourcing team to create products that are unique to the Company and serve to differentiate Indigo from other retailers. Products developed by the design and global sourcing team are designed to improve the breadth and quality of products offered by the Company.

Purchasing and price-setting activities for the Company's general merchandise products are centralized at its head office in Toronto, Ontario. The majority of the Company's general merchandise is globally-sourced.

Retail Stores

Superstores

As at April 1, 2017, the Company operated 89 superstores in leased locations with total selling area of nearly 2,000,000 square feet. Averaging over 20,000 square feet, superstores are designed to be destinations for culture-seekers, offering inspiring environments conducive to browsing and community-building. Superstore kiosks further enrich the omni-channel experience by providing the ability to order an expanded selection of products from *indigo.ca*.

The Company's superstores are built on superior book title selections, unique general merchandise offerings, ambiance, convenient hours, competitive pricing, and knowledgeable staff. Superstores are designed to be premier gifting destinations and promote repeat purchases. The extensive on-hand book selection and growth of general merchandise categories provide a large assortment of inspiring choices to the superstore customer. Floor plans in newer stores also have been designed to create a "store within a store" concept for popular gifting areas such as the !IndigoKids® shops and American Girl® boutiques.

Small Format Stores

As at April 1, 2017, the Company operated 123 small format stores in leased locations with total selling area of over 300,000 square feet. Small format stores average over 2,400 square feet and are typically located in retail shopping centres, street-front retail areas, major airports, and central business districts. These stores are built on service, convenient locations, and product selection. In addition to carrying a wide range of popular books, the product mix in these stores has expanded to include paper products and a limited selection of general merchandise. The expanded range of products in small format stores is part of the Company's continued focus on being a top-of-mind gifting destination for Canadians.

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. The Company believes that its portfolio of locations in core retail locations across Canada is a significant factor contributing to ongoing sales performance.

Digital Platforms

The Company's digital platforms are designed to provide customers with a seamless omni-channel shopping experience. The *indigo.ca* website offers an extension of the in-store shopping experience, featuring an expanded selection of book titles and general merchandise. Customers can shop on *indigo.ca* via desktop, tablet, phone, the Company's mobile app, and in-store kiosks. All items are listed in Canadian prices, with a focus on products of interest to Canadians.

These digital platforms provide a rich user experience, promoting customer loyalty and repeat purchases with an engaging experience that encourages customers to return frequently. In addition to offering an expanded variety of merchandise and a digital wish list ideal for gift registries, the Company's digital platforms offer a wide range of shipping options along with easy returns. Notably, online purchases can be shipped to any of the Company's store locations free of charge, and purchases can also be returned to any store location free of charge. The Company's app also offers a number of time-saving and stress-reducing features, such as managing wish lists, viewing *plum rewards* balances, and scanning any product in store for online purchase and shipping to the customer's home or to a gift recipient.

In fiscal 2017, the Company implemented a number of enhancements to *indigo.ca* which improve and simplify the customer experience. Customers now have the option of using the Masterpass™ digital wallet, further expanding the Company's payment platforms. Additional options for viewing, filtering, and sorting products were launched, giving customers more control over how they view products. Customers can also now view their account data across all digital platforms and items added to a customer's cart using one digital platform can continue to be viewed in their cart across all digital platforms.

Loyalty Programs

The Company has two loyalty programs: the *irewards* program, an annual fee-based program; and the *plum rewards* program, a free points-based program. The *plum rewards* program is an omni-channel program allowing members to earn and redeem points online and in-store, seamlessly. This program engages members through mass promotions and targeted one-to-one promotional offers, as well as invitations to exclusive author events and member-only shopping opportunities.

The Company believes that loyalty programs are important in generating significant customer commitment and value. In addition, the programs enable the Company to better understand its customers, driving incremental sales and long-term customer engagement through optimization of the Company's strategy, marketing, and promotions. The Company continues to monitor and evolve the program construct and communications to ensure it meets business objectives.

Brand Protection and Intellectual Property

Protection of the Indigo and Chapters intellectual property is very important to the Company. The Company has developed, and continues to develop, a line of proprietary products as well as various digital innovations and other unique property and ideas. Infringement of the intellectual property developed by Indigo may have a negative effect on the Company's financial position. In order to protect these assets and the competitive advantage provided by them, the Company has a strategy and processes in place to protect and vigorously defend all of its intellectual property.

The Company is the owner of numerous trademarks and trade names that are used and registered in Canada. The principal trademarks of the Company include (without limitation):

!NDIGO®; !NDIGO ENRICH YOUR LIFE®; !NDIGO SPOTLIGHT™; !NDIGOHOME™; !NDIGOKIDS®; !NDIGOTECH™; A ROOM OF HER OWN™; CHAPTERS®; CHAPTERS ONLINE®; CHAPTERS.CA®; CHAPTERS.INDIGO.CA®; CHAUSSETTES DE LECTURE™; COLES®; COLES THE BOOK PEOPLE®; CULTURAL DEPARTMENT STORE®; ENRICH YOUR LIFE®; ENRICHISSEZ VOTRE VIE®; GREAT BOOKS ARE JUST THE BEGINNING®; HEATHER'S PICKS®; INDIGO®; INDIGO BOOKS MUSIC & MORE®; INDIGO LOVE OF READING FOUNDATION®; INDIGO.CA®; INDIGOBABY®; INDIGOSPIRIT®; INDIGOSWEETS®; IREWARDS®; JOY OF

THE TABLE™; LOVE OF READING®; PLUM®; PRIMES PRIVILÈGE®; READ THE NORTH™; READING SOCKS™; RECO™; STORIES CONNECT US™; and THE WORLD NEEDS MORE CANADA®.

The Company 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 digital presence.

Employees

As at April 1, 2017, the Company employed approximately 6,500 people (on a full-time and part-time basis). The number of part-time customer experience representatives employed by the Company fluctuates based upon seasonal demand. . The Company does not have any collective agreements in place.

Information Systems

The Company continues to invest in information technology to ensure compliance and controls remain robust and to deliver solutions that improve customer service and process efficiencies. During fiscal 2017, the Company invested in a number of information technology initiatives to enhance the *indigo.ca* shopping experience. The Company also continued its focus on improving information systems related to supply chain and information management capabilities.

Previous significant investments include enabling omni-channel redemption of *plum rewards* points and offering customers a new Rewards Centre within the digital experience to check their point balances and learn about new offers. Technological investments were also made to improve the efficiency of tasking processes in the stores, as well as improving the Company's information technology security.

Supply Chain

The Company's supply chain includes the end-to-end flow of product and information from concept to sale. Cross-functional departments throughout the organization are mobilized and focused to apply best-in-class supply chain principles and processes to enable profitable growth.

Combined, the Company's retail and online distribution facilities are approximately 500,000 square feet. Increased distribution centre automation and work completed towards a new product information management system did not meet the Company's expectations during fiscal 2017. However, to keep up with the rapid growth of customer demand in the online channel, the Company is investing heavily in its supply chain processes to improve the flow of merchandise by upgrading systems, increasing capacity, and improving productivity.

Environmental Sustainability

The Company is focused on reducing operational impacts on the environment by improving performance in the areas of energy conservation and waste management.

Energy efficiency is a key component to reducing environmental impacts and operating costs. The Company monitors energy use to identify opportunities to implement conservation strategies. This includes the use of energy-efficient technologies in the Company's stores and distribution centres.

The Company pays fees to all applicable provincial stewardship 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 vary across provinces and are a growing cost to the Company as well as other retailers.

Corporate Social Responsibility

The Company is fully committed to doing business in a legal, ethical and socially responsible manner. The Company has a Social Compliance Program which affirms Indigo's strong position on key labour practices around the world that includes, without limitation, the Company's position against child labour, forced labour, discrimination and abuse/harassment, as well as fair wages, benefits, working hours, and health and safety practices. The Company also has a Vendor Code of Conduct which is designed to ensure that suppliers, vendors, agencies, distributors, service providers, and contractors (collectively, "vendors") have a clear understanding of how Indigo expects to conduct its business with vendors and how Indigo expects its vendors to embrace the Company's commitment to integrity.

Children's Literacy and Community Outreach

Through the 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 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 to high-needs elementary schools. The Foundation accomplishes this goal through its annual Literacy Fund grant of $1.5 million and its grassroots Indigo Adopt a School program that unites Indigo staff, local schools, and their communities to raise money for new and engaging books for elementary school libraries. With the support of the Company, its customers, employees, and suppliers, the Foundation has committed over $25.0 million into more than 3,000 high-needs elementary schools across Canada since 2004.

Seasonality

The Company'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 November/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 *Copyright Act* (Canada) and its Book Importation Regulations limit the importation of books legitimately produced in another country without the consent of the Canadian copyright owner or exclusive distributor. Provided the Canadian copyright owner or exclusive distributor meet certain prescribed criteria, orders for the books must be placed only through the Canadian exclusive distributor and any importation of books without the consent of the Canadian copyright owner or through the exclusive Canadian distributor constitutes copyright infringement.

The *Investment Canada Act* regulates the foreign acquisition of Canadian businesses. Under the legislation, foreign investments to acquire control of an existing book publishing, distribution, or retailing business 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 relating to, among other things, specific business activities or practices aimed at the creation, distribution, and promotion of Canadian cultural content and the development of Canadian authors.

Historically, a foreign investment to establish a new book publishing, distribution, or retailing business was generally not permitted other than as a joint venture controlled by Canadians, and likewise, foreign investments to acquire control of an existing Canadian-controlled book publishing, distribution, or retailing business were generally not permitted. In practice, the Government of Canada in recent years has taken a more pragmatic approach to any such foreign investments. In April 2010, Heritage Canada issued approvals allowing U.S. online retailer, Amazon.com Inc., to operate a distribution centre in Canada and to Apple Canada to establish iBookstore Canada. In December 2011, Heritage Canada issued a one-time ruling to allow the Company's sale of Kobo to Rakuten, a non-Canadian controlled business, and in 2014, Heritage Canada approved Torstar Corporation's sale of the Harlequin book business to HarperCollins Publishers, a subsidiary of News Corp. These restrictive provisions have generally not been applied to businesses in which bookselling forms only an ancillary component of the business, such as mass merchandisers, with Heritage Canada issuing approval in 2012 to Target Canada Co. to sell cultural products, including books and magazines, when it launched its stores in Canada.

Material Transactions with Directors or Officers

During fiscal 2017, 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. In fiscal 2017, the Company paid $6.0 million for these transactions. As at April 1, 2017, Indigo had less than $0.1 million payable to these companies under standard payment terms and $1.0 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 measured at fair market value and were in the normal course of business, under normal commercial terms, for both Indigo and the related companies.

GENERAL DEVELOPMENT OF THE BUSINESS

It has been 20 years since the Company launched its first superstore with a commitment to enriching Canadians' lives through books and complementary products. Much has changed since then, and continues to change, in both the book industry and the larger retail landscape. Indigo has been proactive in transforming its business in both its retail stores and digital offerings. The *indigo.ca* website has expanded dramatically, offering customers an increased number of titles at a lower cost than a traditional physical bookstore along with a broad range of general merchandise, much of which is unique to Indigo. In addition, digital channels have provided customers with instant accessibility, wide selection, and lower prices.

The Company opened a new store concept at CF Sherway Gardens in Toronto, Ontario, at the beginning of fiscal 2017. The new store concept reflects Indigo's transformation from a bookstore to a cultural department store for booklovers; it is a digital and physical place inspired by and filled with books, ideas, and beautifully designed products. The Company is committed to investing in Indigo's brand and the customer experience, with plans to renovate further superstores to this new store concept. The Company's priorities remain focused on continuing to transform its physical and digital platforms, building a high performance organization, and optimizing its cost structure.

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

Be the Preeminent Destination for Books

Print books remain the core focus of the business, across both physical and digital channels. The Company has invested, and will continue to invest, in book growth, enhancing the overall customer experience and improving productivity. In fiscal 2016, the Company introduced an expanded bestseller program, installed high density book fixtures in renovated stores, and improved buying and supply chain efficiencies. In fiscal 2017, the Company optimized the book assortment in superstores, continued to refine its bestseller program, and expanded the staff picks and local authors programs. The Company will continue to adapt and improve all aspects of its book offering in both physical and digital channels through fiscal 2018 and beyond.

Grow as a Gifting Destination

Concurrently, Indigo remains committed to becoming the premier year-round gifting destination in Canada. 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 and online.

In fiscal 2015, the Company launched three American Girl® specialty boutiques and added three more in fiscal 2016. 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. In fiscal 2017, the Company began selling Indigo's entire assortment of American Girl® products on *indigo.ca*.

The Company's design and global sourcing team in New York leads the design and development of Indigo's proprietary merchandise. These private-label products are created by the Company's in-house creative team and are manufactured by third-parties exclusively for Indigo. The Company is committed to adapting and improving its proprietary product development capability, expanding its line of gift and lifestyle merchandise which includes home, paper merchandise, and fashion accessories. This aspect of the business is part of the Company's focus on providing customers with meaningful and life-enriching merchandise only available at Indigo.

Transform Physical and Digital Platforms

The distinction between physical retail and digital retail is increasingly blurred as customers expect to have a seamless experience with the Indigo brand regardless of channel. Recognizing this, the Company is continuing to focus on improving the omni-channel customer experience with initiatives that better integrate physical and digital retail. The Company's "buy online, ship to store" initiative allows customers to buy products online and have them shipped to one of Indigo's stores at no charge. This service drives valuable traffic to stores and provides customers with additional flexibility to decide where and when purchases are picked up.

The Company's physical stores are being renovated and refreshed as part of rolling out Indigo's new store concept and the Company's focus on being the preeminent destination for books and becoming a top-of-mind gifting destination for Canadians. In fiscal 2016, the Company renovated seven stores (five superstores and two small format stores) to improve the customer experience and product offerings across key gifting categories. The Company rebranded and renovated one superstore and three small format stores in fiscal 2017. The Company will continue to renovate and transform its physical stores in fiscal 2018. The Company also continues to explore opportunities both within Canada and globally.

In addition to reshaping Indigo's physical store offerings, the Company continues to invest heavily into its digital platforms. The Company has launched a dedicated team solely focused on the agile delivery of digital products and services to further enhance the customer experience. The Company continues its strong social media presence across Facebook, Instagram, Pinterest, and Twitter, with half a million followers on Facebook and over 150,000 on Instagram. The Company launched a dedicated !IndigoKids® Facebook page in fiscal 2016 and a dedicated IndigoBaby® Instagram in fiscal 2017. In fiscal 2018 and beyond, Indigo will continue to enhance all aspects of its digital platforms and presence, including an improved mobile experience. Furthermore, the Company continues to sell the eReaders and eReading services customers have come to love.

Optimizing the Company's *plum rewards* loyalty program was also a key area of focus in fiscal 2017. The Company's two loyalty programs, *irewards* and *plum rewards,* offer member discounts, and *plum rewards* also offers redeemable points on almost all product purchases in-store and online. 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. Going forward, the Company will increase its capabilities to utilize this data to personalize each touchpoint with customers across all channels and provide a rich omni-channel shopping experience.

Drive Productivity Improvement

While a key focus of the Company's business is evolving to meet the emerging needs of customers, Indigo is also focused on driving productivity improvements to support the Company's continued evolution and new business strategies. The challenge for the Company is to continually look for innovative ways to drive costs down while improving the services Indigo delivers to its customers.

In fiscal 2015, the Company focused on driving end-to-end productivity through supply chain projects that were designed to improve the flow of merchandise and margin rates. Specifically, Indigo drove improved assortment productivity and captured efficiencies in the physical book supply chain. In fiscal 2016, the company re-engineered the highly cross-functional promotions process and began the process of implementing a new product information management system.

In fiscal 2017, the Company focused on implementing supply chain productivity initiatives designed to deliver improved operating margins and improve service to customers. The initiatives implemented to date have not yet brought the Company's supply chain and information management capabilities to a level that can efficiently support all of Indigo's planned strategies. Going forward, Indigo will continue to focus on driving end-to-end productivity and process efficiency in the supply chain and across the Company. The Company is also continuing the process of implementing a new product information management system.

Employee Engagement

In fiscal 2017, Indigo reached record-high employee engagement with an overall engagement index score of 89%. The Company's strategic efforts continue to focus on building and maintaining high levels of employee engagement through enhanced transparency, where all employees have a voice, as well as operating a more networked organization where employees are encouraged to connect regardless of hierarchy. Other initiatives driving our long-term engagement include the use of values-based leadership and the development of high-performing teams where individuals are encouraged to chart their own career paths and apply their strengths to meaningful work that allows them to bring their best selves to work at Indigo.

In April 2017, Indigo's employee engagement focus was again recognized outside of the Company, being named the top Canadian retail employer brand, and number four overall, according to the annual award given by Randstad Canada, a staffing, recruitment, and HR company. The Randstad award rewards and encourages best practices in building the best employer brands and is the only employer award where winners are chosen entirely by workers and by job seekers in search of employment opportunities within Canada's leading organizations. The Company has ranked in the Top 20 Most Attractive Employer Brands in Canada since Randstad launched the program in 2011.

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 *sedar.com*. When relying upon forward-looking information 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.

Economic Environment

Traditionally, retail businesses are highly susceptible to market conditions in the economy. Economic conditions, both on a global scale and in particular markets, may have significant effects on consumer confidence and spending. A decline in consumer spending, especially over the November/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.

Competition

The retail industry is highly competitive and continues to experience fundamental changes in a rapidly changing environment.

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. The number of retailers selling eBooks and eReaders has also increased. Furthermore, technology continues to evolve and eReader technology is now widely available on tablets and mobile devices. This increased competition could negatively impact the Company's revenues and margins.

The general merchandise retail landscape also 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 through both physical and digital platforms. New competitors frequently enter the market and existing competitors may 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 revenue could be adversely affected.

Aggressive merchandising or discounting by competitors could also reduce the Company's revenue, market share, and operating margins.

Real Estate

The Company leases all of its retail locations and 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 closings or relocations, could also unfavourably impact the Company's performance.

Strategic Initiatives

The retail industry is constantly changing and management is committed to the Company's continued growth and success. Expansion into new markets or the launch of new initiatives could place a significant strain on the Company's management, operations, technical performance, financial resources, and internal financial control and reporting functions. The Company will continue to change and modify its strategy based on its economic environment and there can be no assurances that Indigo'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, or the absence of key suppliers, may affect the Company's ability to compete in the marketplace. As Indigo 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 the Company's revenues and margins.

The Company is also reliant on third parties to provide services essential to daily operations. Any disruption to these third-party services could have an unfavourable impact on the Company's performance and reputation, including significant negative impact in areas such as supply chain logistics, software development and support, transaction processing, and other key processes. The Company cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions, or business relationships to mitigate the impact of disruptive events.

Inventory Management

The Company must manage its inventory levels to successfully operate the business. Inventory purchases are based on a number of variables, such as market trends and sales forecasts. Inability to respond to changing customer preferences or sales forecasts which do not match customer demand may result in excess inventory that must be sold at lower prices or an inventory shortage. While the majority of the Company's book purchases are eligible for return to suppliers at full credit, the growth of the general merchandise business means 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 revenue and financial performance.

Product Quality and Product Safety

The Company sells products produced by third-party manufacturers and relies on vendors to provide quality merchandise compliant with all applicable laws. Some of these products may expose the Company to potential liabilities and costs associated with defective products, product handling, and product safety. As part of its growth in general merchandise, the Company also sells food products and is subject to risks associated with food safety.

These risks could result in harm to the Company's customers and expose Indigo to product liability claims, damage the Company's reputation, and lead to product recalls. Liabilities and costs related to product quality and product safety may also have a negative impact on the Company's revenue and financial performance.

The Company has policies and controls in place to manage these risks, including maintaining liability insurance and providing third-party manufacturers with product safety guidance.

Technology and Digital Platforms

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 growth initiatives or keep pace with technological changes, Indigo's competitiveness may be compromised. The Company also continues to invest in the digital customer experience, but there can be no assurance that Indigo 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 are pervasive throughout the Company 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 IT operational or security systems or physical infrastructure, or those of Indigo's third-party vendors, cloud-based services, and other service providers, including as a result of cyberattacks, could disrupt the business, result in the disclosure or misuse of confidential or proprietary information, damage Indigo's brand and reputation, lead to temporary or permanent loss of data, increase the Company's remediation costs and legal liabilities, and impact its financial position and/or ability to achieve its strategic objectives. Although Indigo has business continuity plans and other safeguards in place, along with robust information security procedures, employee security awareness training and controls, the Company's business operations may be adversely affected by significant and widespread disruption to Indigo's physical IT infrastructure or operating systems that support the

Company's business and customers. As cyber threats continue to evolve and become more difficult to detect, the Company may be required to expend significant additional resources to continue to modify or enhance Indigo's protective measures to protect against, among other things, security breaches, computer viruses and malware, phishing, hacktivism, cyberterrorism, denial-of-service attacks, credentials compromise, or to investigate and remediate any information security vulnerabilities.

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 operations and financial performance. Moreover, if such events were to occur at peak times in the Company's 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.

Key Personnel

The Company's continued success will depend to a significant extent upon securing and retaining sufficient talent in management and other key areas. Employees have developed specialized skills and an in-depth knowledge of the business. Failure to effectively attract and retain talented and experienced employees or failure to establish adequate succession planning could result in a lack of requisite knowledge, skill and experience. If the Company does not continue to attract qualified individuals, train them in Indigo's business model, support their development, and retain them, the Company's performance could be adversely affected and growth could be limited. The loss of the services of key personnel, particularly Ms. Reisman, could have a material adverse effect on the Company. To mitigate the risk of personnel loss, the Company has implemented a number of employee engagement and retention strategies.

Corporate Reputation

The Company's corporate reputation and those of its retail banners are very important to Indigo's success and competitive position. The Company's reputation and, consequently, its brand, may be negatively affected by various factors, some of which may be outside of Indigo's control. Adverse events may damage the Company's reputation and brand at the corporate or retail level. Should negative factors materialize and diminish Indigo's brand equity, there could be a material adverse effect on the Company's operations and financial performance.

Credit, Foreign Exchange, and Interest Rate Risks

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. Credit risk primarily arises from accounts receivable, cash and cash equivalents, short-term investments, and derivative financial instruments.

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 limits its exposure to counterparty credit risk related to cash and cash equivalents, short-term investments, and derivative financial instruments by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity.

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. The Company also has a New York office that incurs U.S. dollar expenses. The Company maintains a hedging program to mitigate foreign exchange risk.

The Company's interest income is sensitive to fluctuations in Canadian interest rates, which affect the interest earned on Indigo's cash and cash equivalents and short-term investments. The Company has minimal interest rate risk and does not use any interest rate swaps to manage its risk. The Company does not currently have any debt.

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 April 1, 2017 cannot be predicted with certainty, management believes that any such amount would not have a material impact on the Company's financial position.

Regulatory Environment

The Company's operations and activities are subject to a number of laws and regulations in Canada and in other countries. Changes to statutes, laws, regulations or regulatory policies, including tax laws, accounting principles, and environmental regulations, or changes in their interpretation, implementation or enforcement, could adversely affect the Company's operations and performance. The Company may incur significant costs in the course of complying with any such changes.

The Company is also subject to continuous examination of its regulatory filings by various securities regulators, tax authorities, and environmental stewards. As a result, authorities may disagree with the positions and conclusions taken by the Company in its filings, resulting in a reassessment. Reassessments could also arise from amended legislation or new interpretations of current legislation. Any reassessment could adversely affect the Company's financial performance.

Failure to comply with applicable regulations could also 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.

Compliance with Privacy Laws

A number of federal and provincial statutes govern the privacy rights of the Company's employees and customers. These Canadian privacy laws create certain obligations regarding the Company's handling of personal information, including obligations relating to obtaining appropriate consent, limitations on use, retention, 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 and processes to comply with applicable privacy laws in connection with the collection, use, retention, 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.

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 the Company. 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.

DIVIDENDS

The Company did not pay any dividends in the most recent three fiscal years. The Company 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 26,352,484 common shares are issued and outstanding as at May 30, 2017.

Each common share entitles the holder thereof to one vote at the Company’s shareholder meetings 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 the Company 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 the Company’s securities, please refer to the section “Description of Indigo – Regulatory Environment.”

MARKET FOR SECURITIES

Common shares in the capital of Indigo are listed and posted for trading on the Toronto Stock Exchange (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 the Company's common shares on the TSX on a monthly basis for each calendar month in fiscal 2017.

Month	Open ($)	High ($)	Low ($)	Close ($)	Volume
April 2016	14.89	17.34	14.89	16.75	111,270
May 2016	16.99	19.50	16.50	18.77	64,392
June 2016	19.42	19.50	16.50	16.90	93,047
July 2016	16.90	18.07	16.90	17.50	45,309
August 2016	18.24	18.75	17.01	17.01	157,770
September 2016	17.00	17.01	16.00	16.97	194,884
October 2016	16.34	17.32	16.34	17.25	191,678
November 2016	17.40	17.50	16.40	16.40	248,999
December 2016	16.66	18.02	16.40	17.99	253,343
January 2017	18.13	19.19	17.50	17.62	66,744
February 2017	17.91	18.00	16.65	16.84	215,518
March 2017	16.80	17.00	15.80	15.80	158,047

DIRECTORS AND OFFICERS

The following table and notes thereto state the names and provinces or states of residence of all the Company's directors and officers as at May 30, 2017, 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 Company's next annual shareholder meeting, 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 30, 2017(1)
HEATHER REISMAN Ontario, Canada	Chair and Chief Executive Officer and Director	n/a	February 4, 2001	98,391 common shares
FRANK CLEGG(2) 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

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 30, 2017[(1)]
JONATHAN DEITCHER[(3)] Quebec, Canada	Director	Investment Advisor, RBC Dominion Securities (wealth management company)	August 7, 2001	60,000 common shares
MITCHELL GOLDHAR[(4)] Ontario, Canada	Director	Chairman of the Board of SmartREIT (real estate investment trust) and President and Chief Executive Officer of Penguin Investments Inc. (commercial real estate development company)	February 2, 2006	nil common shares
HOWARD GROSFIELD[(3)(5)] New York, USA	Director	Executive Vice President, US Consumer Marketing Services, American Express (financial services company)	June 29, 2015	nil common shares
ROBERT HAFT[(3)(6)] Washington, DC, USA	Director	Managing Partner, Morgan Noble Healthcare Partners (investment firm specializing in healthcare)	November 3, 2015	nil common shares
ANDREA JOHNSON[(7)] California, USA	Director	Principal of Envelo Properties Corp. (residential and commercial real estate development)	November 8, 2016	4,425 common shares
MICHAEL KIRBY[(2)(3)] Ontario, Canada	Lead Director	Corporate Director and 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)(8)] 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[(9)]
JOEL SILVER[(10)] Ontario, Canada	Director	President and Chief Executive Officer, DAVIDs TEA Inc. (branded beverage company)	April 19, 2011	nil common shares
KIRSTEN CHAPMAN[(11)] Ontario, Canada	Executive Vice President, E-Commerce and Chief Marketing Officer	n/a	n/a	nil common shares

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 30, 2017[1]
GILDAVE (GIL) DENNIS[12] Ontario, Canada	Executive Vice President, Retail and Human Resources	n/a	n/a	nil common shares
KATHLEEN FLYNN[13] Ontario, Canada	Executive Vice President, Real Estate, General Counsel and Corporate Secretary	n/a	n/a	nil common shares
SCOTT FORMBY[14] New York, USA	Chief Creative Officer	n/a	n/a	nil common shares
R. CRAIG LOUDON[15] Ontario, Canada	Interim Chief Financial Officer	n/a	n/a	nil common shares
TOD MOREHEAD[16] Ontario, Canada	Executive Vice President and Group General Merchandise Manager	n/a	n/a	nil common shares
KRISHNA NIKHIL[17] Ontario, Canada	Executive Vice President, Print and Chief Strategy Officer	n/a	n/a	1,000 common shares
BAHMAN (BO) PARIZADEH [18] Ontario, Canada	Executive Vice President and Chief Technology Officer	n/a	n/a	n/a

(1) As at May 30, 2017, the Company's directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised direction or control over 15,382,290 common shares, representing approximately 58% of the outstanding common shares.

(2) Member of Audit Committee.

(3) Member of Human Resources, Compensation and Governance Committee.

(4) In July 2015, Mr. Goldhar became the Chairman of the Board of SmartREIT and the President and Chief Executive Officer of Penguin Investments Inc., a commercial real estate development company. Mr. Goldhar is the founder of SmartCentres, a private real estate development company that he vended into SmartREIT in 2015, one of Canada's largest real estate investment trusts with an asset base of approximately $8.7 billion.

(5) Mr. Grosfield is currently the Executive Vice President, US Consumer Marketing Services at American Express in New York. Prior to this role, Mr. Grosfield served as President and Chief Executive Officer of American Express Bank of Canada and President and General Manager of American Express Canada Inc. from May 2010 to February 2016.

(6) Mr. Haft is the Managing Partner of Morgan Noble Healthcare Partners, which he founded in 1997.

(7) Ms. Johnson became the Principal of Envelo Properties Corp. in October 2016. She was co-founder and CEO of ThisLife (2009 to 2013), a complete cloud solution for protecting, organizing and sharing photos and videos. ThisLife was acquired by Shutterfly in 2013 and is now one of the largest photo platforms in North America.

(8) 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.

(9) 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 49% 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 or 57.7% of outstanding common shares of the Company. Ms. Reisman, who owns directly or indirectly, 98,391 common shares, is Mr. Schwartz' spouse.

(10) Mr. Silver was appointed President and Chief Executive Office of DAVIDs TEA Inc. effective March 20, 2017. He has been with Trilogy Growth from April 2011. From 2003 to 2011, Mr. Silver held several executive positions at Indigo, including President from October 2009 to April 2011.

(11) 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.

(12) Mr. Dennis joined Indigo in December 2015 as the Executive Vice President, Retail and Human Resources. From 2011 to 2015, Mr. Dennis was Senior Vice President of Stores at dressbarn, a division of Ascena Retail Group. Prior to dressbarn, Mr. Dennis worked at Best Buy for ten years in various retail and human resource leadership roles.

(13) Ms. Flynn's title was changed from General Counsel and Corporate Secretary to Executive Vice President, Real Estate, General Counsel and Corporate Secretary in May 2016.

(14) Mr. Formby was appointed an officer of the Company in July 2016. He joined Indigo as Chief Creative Officer in 2013. Prior to joining Indigo, Mr. Formby held the positions of Senior Design Consultant (2009-2012) and Global Creative Director (2007-2009) at Frette, Inc.

(15) Mr. Loudon was appointed Interim Chief Financial Officer in February 2017. He joined Indigo in August 2014, as Senior Vice President, Business Performance. Prior to joining Indigo, Mr. Loudon held the position of Divisional Vice President, Finance at Sears Canada Inc. from 2011 to 2014.

(16) 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.

(17) 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.

(18) Mr. Parizadeh was appointed Executive Vice President and Chief Technology Officer in May 2016. He joined Indigo in January 2013 as Vice President, Customer Solutions and served as Interim Chief Technology Officer from March 2016 to May 2016. Prior to joining Indigo, Mr. Parizadeh was at SapientNitro, a global technology consulting firm for over 6 years, where he was the Interactive Development practice lead for the north east and west coast business groups within North America.

Heather Reisman – *Chair and Chief Executive Officer.* Ms. Reisman has been Chief Executive Officer of the Company 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 appointed a Member of the Order of Canada in 2012 and inducted into the Canadian Business Hall of Fame in 2015.

Frank Clegg – *Director*. Frank Clegg is the Volunteer Chairman and Chief Executive Officer for C4ST. He was the Chairman of Navantis from January 2006 to December 2012. Mr. Clegg held the position of 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 the Company's Audit Committee 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 DS") where he has been employed since 1974. He served as a member of the Board of Directors of RBC DS from November 2000 to September 2003. Mr. Deitcher has been a Vice President at RBC DS since August 2004. Mr. Deitcher is a member of the Company's Human Resources, Compensation and Governance Committee.

Mitchell Goldhar – *Director*. Mitchell Goldhar, founder of SmartCentres, developed over 250 shopping centres across Canada in the past 22 years, including 175 Walmart stores. In 2015, Mr. Goldhar vended SmartCentres into SmartREIT and is its largest shareholder. SmartREIT is one of Canada's largest real estate investment trusts with an asset value of approximately $8.7 billion. Mr. Goldhar holds a B.A. degree in Political Science from York University and for 12 years has been an adjunct professor with the Joseph L. Rotman School of Management, University of Toronto. Mr. Goldhar is Chairman of the Board of SmartREIT, President and CEO of Penguin Investments Inc., a member of the Board of Onex Corporation, a Director Emeritus with the SickKids Foundation, is on the Advisory Board for the Canadian Sports Concussion Project, and is owner of the Maccabi Tel Aviv Football Club.

Howard Grosfield – *Director*. Howard Grosfield is currently the Executive Vice President, US Consumer Marketing Services at American Express in New York. Prior to this role, Mr. Grosfield served as President and Chief Executive Officer of American Express Bank of Canada and President and General Manager of American Express Canada Inc. from May 2010 to February 2016. Prior to that, he was the Vice President and General Manager, International Business Services. Before joining American Express in 2004, Mr. Grosfield spent several years as a Principal with The Boston Consulting Group and was also a lawyer with Osler, Hoskin & Harcourt LLP in Toronto. Mr. Grosfield is a member of the Company's Human Resources, Compensation and Governance Committee.

Robert Haft – *Director*. Robert Haft is the Managing Partner of Morgan Noble Healthcare, with over 20 years of experience as an investor and CEO. Throughout his career, he has opened and managed more than 800 retail stores including drug stores, vitamin stores, book stores, automotive parts stores, and supermarkets. Mr. Haft was the founder and CEO of Vitamins.com. He served as Chairman and CEO of Phar-Mor Drugs, a $1.5 billion drug retail chain that he led out of bankruptcy to profitability and a successful sale, and CEO of Dart Group, a $1 billion healthcare company. Mr. Haft currently serves on the Boards of Continuum Health, Captify Health, Carestream Health, Trusted Health, National Investment Group and Imagine Charter Schools. Mr. Haft holds an MBA and Masters Degree in Design from Harvard and a Bachelor of Science from the Wharton School, where he served on the Undergraduate Board of Trustees. Mr. Haft is the Chair of the Company's Human Resources, Compensation and Governance Committee.

Andrea Johnson – *Director*. Andrea Johnson became a Principal of Envelo Properties Corp. in October 2016. Ms. Johnson was co-founder and CEO of ThisLife (2009 to 2013), a complete cloud solution for protecting, organizing, and sharing photos and videos. ThisLife was acquired by Shutterfly in 2013 and is now one of the largest photo platforms in North America. Ms. Johnson served as Director of E-Commerce for Pottery Barn from 2002 to 2004. Prior to Pottery Barn, she was co-founder and CEO of Petopia.com (1998 to 2000), the first e-commerce company to partner with a traditional retailer to leverage purchasing power, warehousing, and customer loyalty programs. Petopia pioneered subscription-based consumer sales for e-tailers, and now operates as Petco.com. Prior to founding Petopia, Ms. Johnson served as Director of Business Development for MovieFone from 1997 to 1998. She has been featured and quoted in a number of publications including Forbes, Fortune, Business Week, Business 2.0, USA Today, PC World, TechCrunch, and All Things D. Ms. Johnson holds a BA from Dartmouth College and an MBA from Harvard Business School. Ms. Johnson is the daughter of Ms. Reisman, the Chair and Chief Executive Officer of the Company.

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 Company's Lead Director, the Chair of the Audit Committee, and a member of the Human Resources, Compensation and Governance 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 the Chair of the Audit Committees of

MDC Partners Inc., Cadillac Fairview and Aviva Canada Inc., respectively. Ms. O'Donovan is a member of the Company's Audit 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. 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 was appointed the President and Chief Executive Officer of DAVIDs TEA Inc., a NASDAQ listed public company, effective March 20, 2017. DAVIDs TEA is a fast-growing branded beverage company, offering a differentiated selection of proprietary loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts and accessories through its stores and its website, davidstea.com. From 2011, Mr. Silver has been 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. From 2009 to 2011, 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.

Kirsten Chapman – *Executive Vice President, E-Commerce and Chief Marketing Officer.* Kirsten Chapman is responsible for the Indigo brand, for creating awareness and advocacy, and for driving customer engagement through physical and digital channels. As Executive Vice President, E-Commerce, Ms. Chapman drives sales and operations across all digital channels. As Chief Marketing Officer, Ms. Chapman oversees the management of the Company's brand, including consumer insights, loyalty, digital, programmatic marketing, and corporate affairs. She was also 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, she 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.

Gil Dennis — *Executive Vice President, Retail and Human Resources.* Gil Dennis joined the Company in December 2015 and is responsible for driving customer-centric strategies and employee engagement that aligns with Indigo's vision, values, and culture. Additionally, Mr. Dennis has overall responsibility for the Company's retail operations. Mr. Dennis has spent his entire 28-year career in retail. From 2011 to 2015, Mr. Dennis was Senior Vice President of Stores at dressbarn, a division of Ascena Retail Group. Prior to dressbarn, he worked at Best Buy for ten years in various retail and human resource leadership roles. Mr. Dennis holds a Bachelor of Science in Management degree from the University of Phoenix.

Kathleen Flynn – *Executive Vice President, Real Estate, General Counsel and Corporate Secretary.* Kathleen Flynn joined the Company in February 2000 as Corporate Counsel of Chapters Online Inc., then holding the position of Corporate Counsel of Chapters Inc., and subsequently the position of General Counsel and Corporate Secretary of Indigo. Ms. Flynn's current role is as Executive Vice President, Real Estate, General Counsel and Corporate Secretary. She is responsible for legal and corporate governance matters, as well as overseeing the Company's real estate portfolio. Ms. Flynn also serves as a Board

Director for the Indigo Love of Reading Foundation and for the Calendar Club joint venture. Previously, Ms. Flynn was a partner in private practice in Toronto and 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.

Scott Formby – *Chief Creative Officer.* Scott Formby joined the Company in January 2013. He is responsible for the unmistakable look and feel of all things Indigo, including its private label items and 'phygital' experience. Mr. Formby leads Indigo's creative teams at the brand's Toronto Headquarters, as well as the New York Design Studio. His creative vision, innovative ideas and versatile design acumen have played a key role in Indigo's transformation to a cultural department store. Prior to joining Indigo, Mr. Formby held the positions of Senior Design Consultant (2009-2012) and Global Creative Director (2007-2009) at Frette, Inc., Senior Vice President and Creative Director at Lucky Brand LLC (2003-2007), and Senior Vice President and Creative Director, Apparel and Accessory Design at J. Crew Group, Inc. (1992-2002). Mr. Formby holds an AAS Degree from Parsons School of Design, a Masters of Business Administration from New York University's Leonard N. Stern School of Business and a Bachelor of Arts degree from Brown University.

R. Craig Loudon – *Interim Chief Financial Officer.* Craig Loudon joined Indigo in August 2014 as Senior Vice President, Business Performance, and assumed the role of Interim Chief Financial Officer in February 2017. Craig is responsible for Indigo's finance, accounting, merchandise financial planning and allocation, business intelligence, internal audit, and loss prevention teams. He also serves as a Board Director for the Calendar Club joint venture. Prior to joining Indigo, Mr. Loudon held the position of Divisional Vice President, Finance at Sears Canada Inc. from 2011 to 2014. From 2007 to 2010, he was the Vice President, Procurement, Pricing and Product Development at KIK Custom Products Inc. For over 20 years, Mr. Loudon has held senior finance and operations roles in the retail, manufacturing, transportation and management consulting industries. Mr. Loudon holds an MBA from INSEAD, and a Bachelor of Commerce from McGill University.

Tod Morehead — *Executive Vice President and Group General Merchandise Manager.* Tod Morehead joined the Company in October 2012 and is head merchant for all general merchandise categories in the store. He is accountable for identifying and building 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 the Company in September 2014 and is head merchant for all book and reading categories, across all channels, including eBooks and magazines. He is also responsible for the strategic planning process for the Company and he oversees Indigo's customer insights and data science team. Prior to joining the Company, Mr. Nikhil was at McKinsey & Company, a global management consulting firm, for over 11 years, 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 data analytics and e-commerce, first in the e-commerce business development group at Capital One and subsequently at dot-com start-up, Skulogix. Mr. Nikhil is the Vice Chair of the Michael

Garron Hospital Foundation and serves as a Board Director for the Indigo Love of Reading Foundation. Mr. Nikhil holds Masters and Bachelors degrees in Engineering from the University of Toronto.

Bahman (Bo) Parizadeh – *Executive Vice President and Chief Technology Officer*. Bo Parizadeh was appointed Executive Vice President and Chief Technology Officer in May 2016. He is responsible for all Information Technology functions at Indigo, including enterprise and customer facing applications, architecture and technology strategy, infrastructure and operations, and project management. He joined the Company in January 2013 as Vice President, Customer Solutions, overseeing the digital and retail technology groups. Prior to joining Indigo, Mr. Parizadeh was at SapientNitro, a global technology consulting firm for over 6 years, where he was the Interactive Development practice lead for the north east and west coast business groups within North America. Throughout his time at Sapient, Mr. Parizadeh worked with a variety of clients in the financial and telecommunications industries, before ultimately moving his focus to the retail industry where he worked with large brands such as Target, Under Armour, and Disney, building best in class marketing and e-commerce platforms. Mr. Parizadeh holds a Computer Engineering degree from the University of Toronto.

Effective June 1, 2017 (subsequent to the filing of this Annual Information Form), Mr. Hugues Simard has been appointed the Executive Vice President and Chief Financial Officer of the Company. Prior to joining Indigo, Mr. Simard held the position of Senior Vice President and Chief Financial Officer of Videotron Inc. (telecommunications company) from July 2014 to May 2017. From March 2007 to July 2014, Mr. Simard held the positions of Senior Vice President, Development and Strategy of Quebecor Media Inc. and Vice President, Finance and Chief Financial Officer of Sunmedia Corp., respectively, also within the Quebecor Group of Companies.

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, 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. 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 was formerly the Chair of the Audit Committee of MDC Partners Inc. and Just Energy Group 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 that 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 also served as a director of Just Energy Group Inc. until 2015 and MDC Partners Inc. until 2016.

Mr. Kirby is the Company's Lead Director, the Chair of the Audit Committee and a member of the Human Resources, Compensation and Governance 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. In 2016, Ms. O'Donovan was appointed the Chair of the Audit Committees of MDC Partners Inc., Cadillac Fairview and Aviva Canada Inc., respectively.

EXPERTS

The Company's consolidated financial statements for the year ending April 1, 2017 were audited by Ernst & Young LLP. Ernst & Young LLP has advised that it is independent with respect to the Company in accordance with the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Pre-Approval Policies and Procedures

All decisions regarding the engagement of the Company'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, and other fees (excluding expenses and taxes) of the Company's auditor, Ernst & Young LLP, for the two most recently completed fiscal years.

Type Of Fee	2017	2016
Audit Fees	$330,000	$341,595
Audit-Related Fees	$56,500	$56,500
Tax Fees	-	$6,300
All Other Fees	$3,200	$3,200
Total	$389,700	$407,595

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 2017 and 2016, audit-related fees were incurred for translation services, discussion of quarterly information, and accounting consultations on International Financial Reporting Standards. For the prior period, tax fees incurred were related to tax compliance and tax planning/consulting services, while all other fees related to tax research costs in both 2017 and 2016.

TRANSFER AGENT AND REGISTRAR

The Company'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.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase securities is contained in Indigo's 2017 Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR. Further information can also be found on SEDAR at *sedar.com*. Additional financial information is provided in the Company's comparative financial statements and MD&A for the fiscal year ended April 1, 2017, which are included on pages 6 through 57 of Indigo's 2017 Annual Report.

Copies of the following documents may be obtained, upon request, from the Company'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 the Company'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 the Company's interim financial statements subsequent to the financial statements for its most recently completed financial year; and

c) one copy of the Company's most recent Management Information Circular as filed with Canadian securities regulatory authorities on SEDAR.

APPENDIX A

INDIGO BOOKS & MUSIC INC.

(the “Corporation”)

AUDIT COMMITTEE CHARTER

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) enterprise 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 independent, as contemplated by *Multilateral Instrument 52-110 - Audit Committees*. Members of the Committee, as well as its Chair, shall be recommended by the Human Resources, Compensation and 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 successor 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;

(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 IFRS, 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 and 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. Enterprise 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 annual plan of the internal auditor, including the audit scope and overall risk assessment methodology, ensuring such are appropriate for the Corporation;

(b) review the organizational structure of internal audit to ensure independence from management and an appropriate segregation of duties;

(c) review the effectiveness of the internal auditor;

(d) review the quarterly reports of the internal auditor on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan; and

(e) meet regularly with the internal auditor, with or without management present, to discuss the effectiveness of the Corporation's internal control procedures, risk management and governance processes.

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;

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

(f) oversee matters relating to security of and risks related to information technology systems and procedures, including assessment of the adequacy and effectiveness of the internal controls regarding information security.

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 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.