



**DOLLARAMA INC.**  
**ANNUAL INFORMATION FORM**  
**FOR THE FISCAL YEAR**  
**ENDED JANUARY 30, 2011**

**April 29, 2011**

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## EXPLANATORY NOTES

The information in this annual information form (the “Annual Information Form”) is stated as at January 30, 2011, unless otherwise indicated.

Unless otherwise noted or the context otherwise indicates, “Dollarama”, the “Corporation”, “we”, “us” and “our” refer to Dollarama Inc. and its direct and indirect subsidiary entities and predecessors.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” beginning on page 30 of this Annual Information Form. Unless otherwise indicated, all references to “\$” in this Annual Information Form refer to Canadian dollars. References to “U.S.\$” in this Annual Information Form refer to United States dollars. The noon exchange rate on April 29, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was \$1.00 to U.S.\$1.0542.

### Forward-Looking Statements

Certain statements in this Annual Information Form about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the “Risk Factors” section of this Annual Information Form: future increases in operating and merchandise costs, inability to sustain assortment and replenishment of our merchandise, increase in the cost or a disruption in the flow of imported goods, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse, distribution center and head office leases on favourable terms, inability to increase our warehouse and distribution center capacity in a timely manner, seasonality, market acceptance of our private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, level of indebtedness and inability to generate sufficient cash to service our debt, interest rate risk associated with variable rate indebtedness, competition in the retail industry, current economic conditions, failure to attract and retain qualified employees, departure of senior executives, disruption in information technology systems, unsuccessful execution of our growth strategy, holding company structure, adverse weather, natural disasters and geo-political events, unexpected costs associated with our current insurance program, litigation, product liability claims and product recalls, and environmental and regulatory compliance.

These factors are not intended to represent a complete list of the factors that could affect us; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management’s expectations regarding the Corporation’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

### Non-GAAP Measures

This Annual Information Form makes reference to certain non-GAAP measures. These non-GAAP measures are not recognized measures under Canadian GAAP, do not have a standardized meaning prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those Canadian GAAP measures by providing further understanding of the Corporation’s results of operations from management’s perspective. We use non-GAAP

measures including Normalized EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on Canadian GAAP financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Our management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future debt service, capital expenditure and working capital requirements.

We believe that the presentation of the non-GAAP measures described above is appropriate. However, these non-GAAP measures have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under Canadian GAAP. Because of these limitations, we primarily rely on our results as reported in accordance with Canadian GAAP and use the non-GAAP measures only as a supplement. In addition, because other companies may calculate non-GAAP measures differently than we do, they may not be comparable to similarly-titled measures reported by other companies.

### **Market and Industry Data**

We have obtained the market and industry data presented in this Annual Information Form from a combination of internal company surveys and third party information, including data from Statistics Canada and the U.S. Census Bureau, and the estimates of our management. We know of no third party source that reports on the Canadian dollar discount retail store market and industry data. As such, all Canadian dollar discount retail store market and industry data presented in this Annual Information Form is based on internally generated management estimates, including estimates based on our review of third party Web sites and extrapolations from third party surveys of the U.S. dollar discount retail store market. While we believe our internal surveys, third party information, and estimates of our management are reliable, we have not verified them, nor have they been verified by any independent sources and we have no assurance that the information contained in third party Web sites is current and up-to-date. While we are not aware of any misstatements regarding the market and industry data presented in this Annual Information Form, such data involves risks and uncertainties and are subject to change based on various factors, including those factors discussed under “Forward-Looking Statements” and “Risk Factors”.

## CORPORATE STRUCTURE

### General

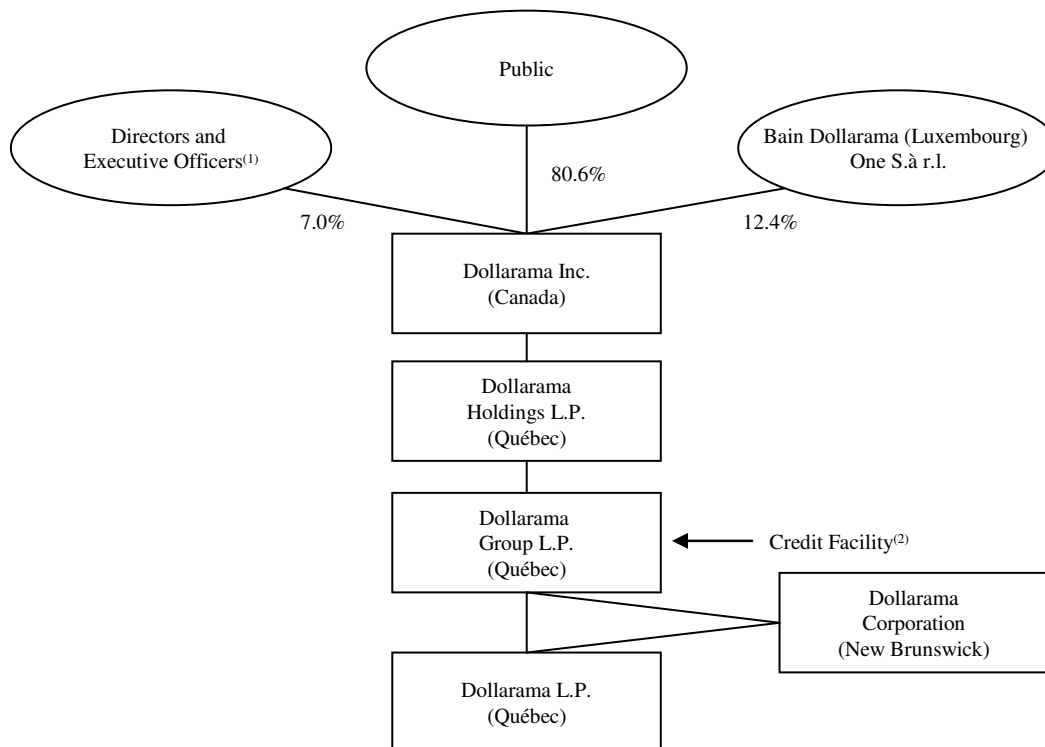
The Corporation was incorporated under the *Canada Business Corporations Act* (“CBCA”) by articles of incorporation dated October 20, 2004 under the name 4258401 Canada Inc. The Corporation’s name was thereafter changed to Dollarama Capital Corporation pursuant to articles of amendment dated November 16, 2004 and its articles were further amended on December 20, 2006 to, among other things, create classes of common and preferred shares, and on September 8, 2009 to change its name to Dollarama Inc. Immediately preceding the closing of its initial public offering on October 16, 2009, the Corporation amalgamated with 4513631 Canada Inc., one of its holding corporations, under the CBCA pursuant to articles of amalgamation dated October 16, 2009.

The Corporation’s head and registered office is located at 5805 Royalmount Ave., Montreal, Québec, H4P 0A1.

### Intercorporate Relationships

The Corporation indirectly owns, through its subsidiaries, all of the equity interests in Dollarama L.P. and Dollarama Corporation, which together operate the Dollarama business.

The organization chart below indicates the intercorporate relationships of the Corporation and its material subsidiary entities as of the date hereof, together with the jurisdiction of incorporation or constitution of each such entity. With the exception to Dollarama L.P., the assets or sales and operating revenues of each of the subsidiaries of the Corporation do not constitute more than 10%, individually, of the consolidated assets or sales and operating revenues of the Corporation as at January 30, 2011, nor do they constitute more than 20%, in the aggregate, of the consolidated assets or sales and operating revenues of the Corporation as at January 31, 2011.



(1) Refers to the Common Shares (as defined hereinafter) that our directors and executive officers beneficially own, or control or direct, directly or indirectly, as of the date hereof.

(2) On June 10, 2010, Dollarama Group L.P. entered into the Credit Facility. For a description of the Credit Facility, see “Business of the Corporation - Credit Facility”.

## GENERAL DEVELOPMENT OF THE BUSINESS

### History

In 1992, the Dollarama business was founded by our Chief Executive Officer (“CEO”), Larry Rossy, a third generation retailer. Mr. Rossy took the helm of the family retail business in 1973 and transitioned the business from a general merchandise retailer to a single price point dollar store chain. Mr. Rossy led the Dollarama management team to introduce a number of initiatives that have defined our current strategic focus. These included (i) adopting a fixed price point dollar store concept; (ii) pursuing our store network expansion strategy in Canada, leading to stronger brand awareness and increased sales; and (iii) implementing a program to directly source merchandise from overseas suppliers to lower our merchandise costs and diversify and enhance our product offering. In February 2009, we launched our multiple price point product offering pursuant to which we now sell multiple or single units at select fixed price points under \$2.00.

On October 16, 2009, the Corporation completed an initial public offering (“IPO”) of 17,142,857 common shares of the Corporation (the “Common Shares”) at a price of \$17.50 per share resulting in gross proceeds of approximately \$300 million. The Common Shares are listed for trading on the TSX under the symbol “DOL”.

As of January 30, 2011, Dollarama operated 652 corporate stores located across Canada and generated sales of approximately \$1.4 billion and Normalized EBITDA of approximately \$234 million during the fiscal year ended January 30, 2011.

### Recent Developments

#### *Board of Directors and Nominating and Governance Committee*

Mr. Huw Thomas was appointed as an independent director of the Corporation and a member of the audit committee of the Corporation (the “Audit Committee”), effective as of March 24, 2011. Mr. Thomas replaced Nicholas Nomicos on the Audit Committee, effective as of March 24, 2011. Mr. Nomicos served as an interim member of the Audit Committee following the resignation of Donald Gray Reid.

On April 21, 2011, the Board of Directors created a nominating and governance committee (the “Nominating and Governance Committee”) composed of three directors, Stephen Gunn, Huw Thomas and Joshua Bekenstein, each of whom is independent. Stephen Gunn serves as the Chair of the Nominating and Governance Committee.

#### *Closing of Secondary Offering of Common Shares*

On December 23, 2010, the Corporation completed the closing of a bought deal secondary offering and the concurrent closing of an over-allotment option pursuant to which one of our shareholders, Bain Dollarama (Luxembourg) One S.à r.l. (the “Selling Shareholder”), sold 12,880,000 Common Shares (of which 1,680,000 were sold pursuant to the exercise in full of an over-allotment option) at a price of \$29.00 per Common Share for gross proceeds of \$373,520,000 to the Selling Shareholder. The Corporation did not receive any of the proceeds from this secondary offering.

#### *S&P/TSX Composite Index*

On December 10, 2010, Standard & Poor’s announced the addition of the Common Shares to the S&P/TSX composite index.

## BUSINESS OF THE CORPORATION

### Industry Overview

Value retail is a well-established and growing segment of the overall Canadian retail industry. Canadian consumer demand for value-oriented merchandise has grown substantially over the last decade, as evidenced by the increase in the number of general mass merchants, smaller value-priced chains, warehouse/club stores, discount food stores, close-out retailers and dollar stores.

The dollar store industry in which we operate is generally differentiated from that of other value retailers by one or more of the following: (i) low price points, typically in the \$1.00 to \$5.00 range; (ii) convenient locations and store size; (iii) broad offerings of everyday branded or unbranded merchandise; (iv) small or individual sized product quantities; and (v) no-frills, self-service environment.

Merchandise offered by dollar stores generally includes household products and cleaning supplies, paper and plastics, health and beauty care products, party supplies, toys, food, novelty items, seasonal merchandise and impulse products. Canadian dollar store operators vary based on price range, store locations, merchandise mix, consistency of product selection and store layout. Many Canadian dollar stores have a market positioning similar to close-out retailers, offering a “treasure hunt” type shopping experience. Product selection and availability at these retailers change frequently and are often inconsistent, largely as a result of a sourcing strategy focused on importers and liquidators. Some dollar stores, including Dollarama, have differentiated themselves by offering a more consistent product selection which includes everyday household needs and a selection of nationally branded products, as well as an assortment of unique and seasonal items. This strategy is intended to drive customer loyalty and repeat traffic.

The Canadian dollar store industry remains under-penetrated relative to the U.S. dollar store industry. For the top five U.S. dollar store chains by number of stores, on a per capita basis, there were approximately 14,500 people per dollar store as of January 30, 2011. By contrast, for the top six Canadian dollar store chains by number of stores, management estimates that, on a per capita basis, there is approximately one dollar store for every 31,100 people as of January 30, 2011. Based on this U.S. industry data, we believe there is an opportunity for significant growth in the Canadian dollar store market.

### Business Overview

We are the leading operator of dollar stores in Canada, with 652 Dollarama stores in operation as of January 30, 2011, more than five times the number of stores as our next largest dollar store competitor in Canada. We are the only dollar store operator with a significant national presence and are continuing to expand across Canada. Our stores average approximately 9,874 square feet and offer a targeted mix of merchandise at compelling values, including private label and nationally branded products. We offer a broad range of quality consumer products and general merchandise for everyday use, in addition to seasonal products. Our quality merchandise is sold in individual or multiple units at select fixed price points up to \$2.00. All of our stores are corporate-managed, providing a consistent shopping experience, and nearly all are located in high-traffic areas such as strip malls and shopping centers in various locations, including metropolitan areas, mid-sized cities, and small towns.

Our strategy is to grow sales, net earnings and cash flows by building upon our position as the leading Canadian operator of dollar stores, and to offer a compelling value proposition on a wide variety of everyday merchandise to a broad base of customers. We continually strive to maintain and improve the efficiency of our operations. Prior to February 2009, all our merchandise was sold at a single \$1.00 price point, with the exception of select candy offered at lower prices. On February 2, 2009, we introduced additional price points of \$1.25, \$1.50 and \$2.00 which have allowed us to further broaden our product offering.

We believe that the leadership position we have achieved in the Canadian dollar store industry is attributable to a number of operational advantages that will reinforce our future growth, including:

- the number, location and penetration of our stores in our markets, which increase our brand recognition, generate word-of-mouth advertising and drive customer traffic;

- our core offering of consistently available everyday products, which offers compelling value and makes our stores a destination shopping experience, in contrast to the “treasure hunt” type offering of certain other dollar stores;
- our store size and consistent store format, which allows for an effective display of a broader assortment of merchandise;
- our strong and long-standing supplier network, which enables us to update and diversify our product selection and rapidly respond to our customers’ changing needs;
- the volume of goods that we directly source from low-cost foreign vendors, which allows us to deliver a strong customer value proposition at attractive margins;
- our in-house product development expertise, which enables us to provide high-quality and consistent products; and
- the size, scale and efficiencies of our warehouse and distribution operations.

## Stores

### *Store Locations and Site Selection*

We carefully manage our real estate portfolio with the goal of maximizing chain-wide store profitability and maintaining a disciplined, cost-sensitive approach to store site selection. We evaluate potential store locations based on a variety of criteria, including (i) the level of retail activity and traffic patterns; (ii) the presence or absence of competitors; (iii) the population and demographics of the area; (iv) the total rent and occupancy cost per square foot; and (v) the location of existing Dollarama stores. Nearly all of our stores are located in high-traffic areas such as strip malls and shopping centers, where our management believes customers are likely to do their household shopping. We open stores in various locations, including metropolitan areas, mid-sized cities and small towns. We believe that our stores attract customers from a relatively small shopping radius, which allows us to profitably operate multiple stores in all markets across Canada. We believe that we can continue to profitably open stores in markets across Canada, including in areas where our store density is the highest, such as in Québec. Our ability to open new stores is dependent upon, among other factors, locating suitable sites and negotiating favorable lease terms.

As of January 30, 2011, we operated 652 stores in all Canadian provinces as detailed below:

Alberta .....	45	Nova Scotia .....	24
British Columbia .....	25	Ontario .....	261
Manitoba .....	22	Prince Edward Island.....	3
New Brunswick.....	27	Québec.....	221
Newfoundland and Labrador .....	10	Saskatchewan .....	14

With the exception of 18 of our stores that we lease at market rates from entities controlled by Larry Rossy, our remaining store locations are leased from a wide variety of third parties (see “Interest of Management and Others in Material Transactions”). We expect to continue to lease store locations as we expand. We typically enter into leases with base terms of ten years and options to renew for one or more periods of five years each. The average time to expiration of our leases is 5.6 years. As current leases expire, we believe that we will be able either to obtain lease renewals, if desired, for present store locations, or to obtain leases for equivalent or better locations in the same general area. To date, we have not experienced difficulty in either renewing leases for existing locations or securing suitable leases for new stores. We believe that this leasing strategy enhances our flexibility to pursue various expansion and relocation opportunities resulting from changing market conditions.

### *Store Size and Condition*

We offer a well-designed, convenient and consistent store format. Our average store size has increased over the past thirteen fiscal years from 5,272 square feet in 1998 to 9,874 square feet as of January 30, 2011 (of which between 80% and 85% is available selling square footage), with new stores opened in the fiscal year ended January 30, 2011 averaging approximately 9,900 square feet.

Over 50% of our stores have been opened, expanded, renovated or relocated within the last five fiscal years. We have spent an average of approximately \$3.4 million annually on store expansions, renovations or relocations over the same last five fiscal years. We believe that our current store network is in good condition and does not require material maintenance capital expenditures.

### ***New Store Payback***

Our expansion model is characterized by low capital investment to open stores, rapid sales increases after opening, consistent sales volumes and low ongoing operating costs (including low maintenance capital expenditure requirements), which together result in an attractive return on investment. A new Dollarama store requires a minimal initial investment, typically \$0.6 million, including \$0.4 million for capital expenditures and \$0.2 million for inventory. Our stores reach on average \$2.0 million in annual sales within the first two years of operation, and achieve an average capital payback period of approximately two years. Our model has been effective in both rural and small communities as well as in more densely populated and metropolitan areas that typically include a larger number of competitors.

### ***Customer Payment Methods***

We currently accept cash and PIN-based debit cards in all of our stores. The debit card penetration rate in our stores has continually increased since its implementation, with debit card transactions representing approximately 33% of sales in the fiscal year ended January 30, 2011. The average transaction size for debit card sales in our stores is more than two times greater than the average transaction size for cash sales.

## **Merchandise**

### ***Merchandise Mix***

We offer a well-balanced targeted mix of merchandise at compelling values, including private label and nationally branded products. For the fiscal year ended January 30, 2011, our merchandise mix consisted of:

- General merchandise, which represented approximately 50% of our product offering (based on retail value), including party supplies, greeting cards, gift wrap and craft and stationery supplies, durable housewares and kitchenwares, hardware and electronics, toys, gifts, apparel and other items;
- Consumable products, which represented approximately 37% of our product offering (based on retail value), including household consumables such as paper, plastics, foils and household products and cleaning supplies, basic health and beauty care, and candy, drinks, snacks and other food products; and
- Seasonal products, which represented approximately 13% of our product offering (based on retail value), including Valentine's day, St. Patrick's day, Easter, Halloween and Christmas merchandise, along with seasonal summer and winter merchandise.

The selection of items offered in our stores at any one time varies.

We are constantly adjusting our merchandise mix to offer the best value and a wide selection of products to our customers, as well as to maintain or improve our gross margins. Our stores carry a broad assortment of actively-managed SKUs, including more than 3,700 active year-round SKUs and more than 600 active seasonal SKUs at any one time. We analyze our products in inventory on a monthly basis for sales and profitability. Based on the results, we are able to quickly adjust our merchandise mix with a goal of optimizing sales and profitability. Slower selling items are discontinued and replaced as warranted. See "Risk Factors – Merchandise Selection and Replenishment".

### ***Merchandise Sourcing***

We purchase most of our merchandise centrally from manufacturers, wholesalers, manufacturers' representatives and importers. We began developing relationships with overseas suppliers in 1993. Our strategy is to source merchandise directly from the lowest cost suppliers that meet our high-quality standards. Our sourcing strategy blends directly imported merchandise from overseas and products sourced from North American vendors,

which accounted for 54% and 46%, respectively, of our total volume in the fiscal year ended January 30, 2011. Typically, products purchased from Canadian manufacturers are consumables including household products and cleaning supplies, groceries, confectionary, and greeting cards. While we still source a majority of our overseas products from China, we have been steadily increasing our purchases from other overseas suppliers in the last two fiscal years, including goods sourced directly from India, Indonesia, Thailand, Turkey and Italy. In addition, we also develop the product design, packaging, and labeling concepts for our private-label brand and work in concert with our suppliers selected to produce each item to meet our exacting standards.

Our supplier base is well diversified, with no single supplier accounting for more than 6% of our total purchases in the fiscal year ended January 30, 2011. For the same period, our top ten suppliers represented approximately 24% of our total purchases and our top 25 suppliers represented approximately 40% of our total purchases. We generally buy products on an order-by-order basis and do not enter into long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. However, we have strong and long-standing relationships with our suppliers, including relationships with eight of our top ten suppliers for more than ten years and each of our top ten suppliers for more than five years. The strength and duration of these relationships as well as our purchasing scale and direct sourcing capabilities contribute to our competitive cost position and ability to offer a wide selection of products at our price points. See “Risk Factors – Imports and Supply Chain”.

### Customers

Our customers seek value and convenience. Depending on their economic needs and geographic proximity, customers shop at Dollarama to fulfill various levels of basic needs, including fill-in shopping, periodic routine trips to stock up on household items, and weekly or more frequent trips to meet most of their essential purchasing needs. Many of our customers make Dollarama a stand-alone shopping destination. Our product offering also attracts impulse shoppers.

### Marketing

We have generated rapid growth without significant expenditures on marketing and promotions. We believe that this is primarily due to our strong brand name and success at selecting store locations with high traffic and ease of accessibility. Given our everyday low price points, there are generally no sales or markdowns to advertise.

Advertising is employed almost exclusively for new store openings. We promote new store openings using a selection of media, which may include radio, local newspapers, circulars, and television. A new store advertising campaign may last from two to six weeks, depending on the store location.

### Warehouse and Distribution Facilities

Our warehouse and distribution facilities consist of four warehouses and a distribution center, all five of which are owned by entities controlled by Larry Rossy. See “Interest of Management and Others in Material Transactions”. The five sites are subject to long-term lease agreements. The table below describes our warehouse and distribution facilities.

<u>Location</u>	<u>Type</u>	<u>Size</u>	<u>Lease Expiration</u>
Dorval, Québec.....	Warehouse	269,950 square feet	November 30, 2024
Lachine, Québec .....	Warehouse	356,675 square feet	November 30, 2024
Town of Mount Royal, Québec.....	Warehouse	128,838 square feet	November 30, 2024
Town of Mount Royal, Québec.....	Distribution Center	292,623 square feet	November 30, 2024
Town of Mount Royal, Québec.....	Warehouse	325,000 square feet	November 30, 2024

Our four warehouses are primarily used to store goods directly imported from overseas, while most domestic goods sourced from North American vendors are delivered directly to the distribution center (excluding products delivered directly to the stores). We warehouse approximately 62% of our merchandise in our four warehouses and distribute approximately 89% of our merchandise through the distribution center. The merchandise is then transported to our stores by outside contractors. See “Business of the Corporation — Transportation”. The remaining 11% of our merchandise is shipped by the suppliers directly to the stores. An example of items shipped directly to stores by our suppliers is greeting cards. Of the suppliers that ship directly to our stores, a limited number (such as

some soft drink and greeting card suppliers) also work together with the store manager to manage inventory for the store.

Our current needs are serviced on single shifts at the distribution center and warehouses, allowing for future capacity increases. Under our current expansion plan, we believe our existing distribution network currently has the capacity to cost-effectively service more than 150 additional stores.

Warehouse inventory procurement is managed using standard demand forecasting and inventory planning methods based on historical demand. Products are distributed from our four warehouses through our distribution facility. We continuously strive to enhance our forecasting, inventory planning, safety stock and lead time management processes and tools. Store replenishment requirements are determined based on actual store sales.

Our aggregate warehouse and distribution center staffing needs are principally outsourced to third party agencies.

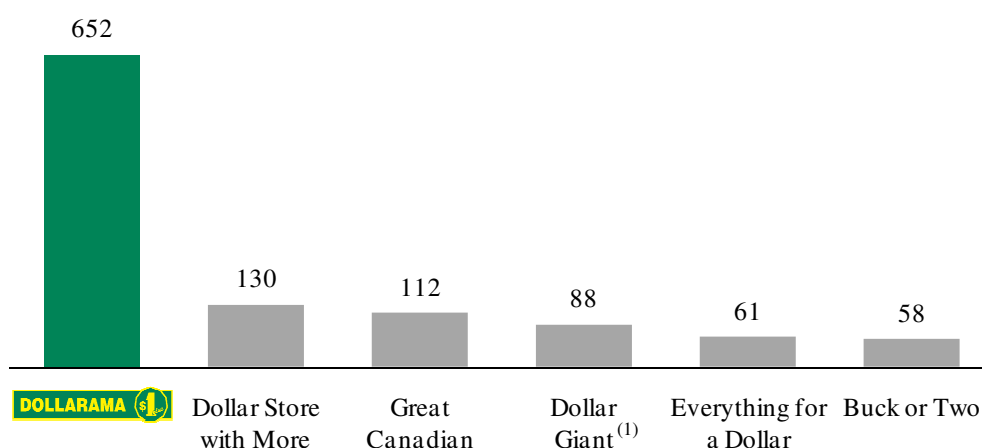
### Transportation

We must constantly replenish depleted inventory through deliveries of merchandise to our distribution centers, and from our distribution centers to our stores by various means of transportation, including shipments by sea, train and truck on the roads and highways of Canada. We do not own any trucks and outsource our transportation needs. For the most part, we rely on third party carriers and typically do not enter into long-term transportation contracts with our carriers, but rather contract as needed on a purchase-order basis. Our transportation costs are subject to fuel cost increases or surcharges and therefore fluctuate over time. See “Risk Factors – Distribution Network”.

### Competition

The Canadian dollar store industry is highly fragmented with many privately owned multi-outlet chains as well as independently-operated dollar stores. In addition to Dollarama, the largest multi-outlet dollar stores include Buck or Two, Dollar Giant, Dollar Store With More, Everything For a Dollar and Great Canadian Dollar Store. This group, including Dollarama, on a combined basis, operates more than 1,100 stores across Canada. Most of our multi-outlet competitors are franchise operations with significantly lower store counts than Dollarama, and four out of the five have reduced their total store count since January 2004.

The following chart illustrates our current store count compared to our competitors’ store count in Canada as of January 30, 2011:



(1) In November 2010, Dollar Tree, Inc. (“Dollar Tree”), a U.S. dollar store operator, completed the acquisition of Dollar Giant.

These multi-outlet chain competitors, as a group, (i) have a much less significant market share than ours in our core markets of Ontario and Québec, where we have our highest rates of per capita store penetration, (ii) maintain a

strong market share in the Western Provinces, a geographic area in which we seek to continue to increase our presence, and (iii) have a similar market share to ours in the Atlantic Provinces.

We face competition in the acquisition of inventory, the sale of merchandise and real estate, among others, from multi-price dollar stores, variety and discount stores and mass merchants. See “Risk Factors – Retail Competition”.

## Employees

As of January 30, 2011, we employed 13,474 retail employees, including full-time, part-time, and temporary employees. We also employed 201 head office employees and 97 warehouse and distribution centre employees. We hire seasonal employees during busy seasons such as Christmas, which provides us with greater flexibility in our workforce and allows us to better address busier peak periods. None of our employees is a party to a collective bargaining agreement or represented by a labour union. See “Risk Factors – Human Resources”.

## Seasonality

Our business has limited sales seasonality. Generally, our highest sales volume occurs in the fourth quarter, which includes the Christmas selling season, and the lowest occurs in the first quarter. In addition, our quarterly results can be affected by the timing of new store openings and store closings, the amount of sales contributed by new and existing stores, as well as the timing of certain holidays. We purchase substantial amounts of inventory in the third quarter and incur higher shipping costs and higher payroll costs in anticipation of the increased sales activity during the fourth quarter. In addition, we carry merchandise during our fourth quarter that we do not carry during the rest of the year, such as gift sets, holiday decorations, certain baking items, and a broader assortment of toys and candy. See “Risk Factors – Seasonality”.

The following table reflects the seasonality of sales and gross margin for each of the quarters in the fiscal year ended January 30, 2011. All of the quarters reflected below are comprised of 13 weeks.

(in % of total)	<u>1<sup>st</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>4<sup>th</sup> Quarter</u>
<b>Fiscal Year Ended January 30, 2011</b>				
Sales.....	22.0%	24.2%	25.1%	28.8%
Gross Margin .....	20.9%	23.6%	25.1%	30.4%

## Intellectual Property

We rely on trademark laws to protect certain aspects of our business. Our registered trademarks in Canada include the following: Dollarama®, Duramax®, Richard®, Make it Special®, Gryphonware®, Stitch-It®, Medi Care & Globe Design®, Static Matic®, Frameworks & Design®, Dollarama Halfmoon & Design®, Dollarama Banner & Design®, Studio Media & Design®, Terrifik®, Dollarama Polygon Design®, Sparkle N’ Shine®, Dr. Bob®, Dollarama Banner Design (2007)®, Dollarama Halfmoon Design (2007)®, Dollarama Polygon Design (2007)®, GRIP-EZE®, Hearth Kitchen®, E-Z Reach®, Studio & Design®, Flow-Rite®, Snaptite & design®, Hercules®, Dollarama Plus®, Dollarama \$1 Plus Halfmoon Design®, Dollarama \$1 Plus Banner Design®, Electra & Design®, Rama Design & Logo®, Proauto & Design®, Watson's Candles®, William's®, PetStore & footprint Design®, Cheeky Sweets & Girl Face Design® and Comfy Toes®, and we have a number of applications pending to register other trademarks in Canada including for \$1 Plus Polygone Design™ and Dollarama \$1 Plus Polygone Design™. We also rely on a combination of unregistered trademark rights to protect our position as a branded company with strong name recognition. See “Risk Factors – Intellectual Property”.

## Technology

We use our information technology systems to manage our operations and in particular, for the efficient functioning of our business, including accounting, data storage, purchasing and inventory management, and store communications systems.

Over the last several years, the Corporation made significant investments in hardware, software, networks and personnel, including many employee training programs.

During the fiscal year ended January 30, 2011, we completed the first step of our store replenishment improvement project by rolling-out point-of-sale scanners in all our stores. A few years ago, we have also implemented an enterprise-wide software system solution encompassing finance, distribution, warehouse management, store replenishment, warehouse forecasting and supply chain functions, and a data warehouse system to enhance our reporting capabilities.

Most reliable and cost-effective information technology was selected through pilot projects and rigorous testing, resulting in efficient and modern company-wide infrastructure. The implementation of these systems has enabled management to more efficiently conduct our operations and gather, analyze, and assess information across all business segments and geographic locations. We believe that our existing information technology system infrastructure is sufficient to support our operational growth and provide us with the information we need to effectively run the business in the upcoming years. See “Risk Factors – Information Technology Systems”.

## **Regulatory Matters**

### ***Commercial Activity Laws and Regulations***

Our commercial activities subject us to many laws and regulations, including product safety laws. Our suppliers are responsible for the quality of their products and assume the risks related to any non-compliance with product safety laws. Among other things, we reserve the right to discontinue acceptance of products that are not in compliance with our standards, which are driven by regulatory requirements as well as our own product specifications. Before agreeing to conduct business with an international supplier, we require a review of its existing audits. We also inspect a prospective supplier’s operations and production facilities in order to ensure compliance with our standards. In addition, we conduct random audits to ensure product quality and compliance with our standards. Similarly, in order to protect the value of our private labels, we have controls in place to ensure that strict standards are respected for our private label lines of products, which are manufactured by independent suppliers under contract.

We work closely with Health Canada, the Canadian Food Inspection Agency and all other relevant federal and provincial regulatory authorities to ensure that our products and operations meet all prescribed standards and regulations. These governing bodies also help us to monitor compliance and manage any potential recalls in our stores. Aware of the attention that has been given to consumer product safety by governments and government agencies, we use best practices for the storage, physical safety and distribution of products. To supplement existing product safety procedures, we carry liability insurance to mitigate potential product liability claims. See “Risk Factors – Product Liability Claims and Product Recalls” and “Risk Factors – Regulatory Environment”.

### ***Environmental Laws and Regulations***

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

In the ordinary course of our business, we sometimes use, store, handle or dispose of commonplace household products that are classified as hazardous materials under various environmental laws and regulations. However, none of our products require special disposal measures and all of our products are disposed of with regular trash, with the appropriate items being recycled. We have also adopted guidelines on the disposal of recalled products. Although we expect to continue to incur ongoing capital and operating costs in the ordinary course of business to maintain compliance with existing and future applicable environmental laws and requirements, we do not anticipate that continuing compliance with such laws and requirements will have a material adverse effect upon our competitive or consolidated financial position. See “Risk Factors – Environmental Compliance”.

## **Credit Facility**

On June 10, 2010, Dollarama Group L.P., a wholly owned subsidiary of the Corporation entered into an agreement providing for an all-Canadian \$600 million syndicated senior secured credit facility (the “Credit Facility”) consisting of (i) a \$75 million revolving credit facility, and (ii) a \$525 million term loan A facility maturing in June 2014. In addition, Dollarama Group L.P. may, under certain circumstances and subject to receipt of

additional commitments from existing lenders or other eligible institutions, request additional term loan tranches or increases to the revolving loan commitments by an aggregate amount of up to \$75 million. As of January 30, 2011, there was an aggregate of \$366.9 million outstanding under the term loan A facility, and \$0.8 million of letters of credit issued for the purchase of inventories under the revolving credit facility.

Dollarama Group L.P. used the proceeds from the Credit Facility to repay all amounts outstanding under its previous senior secured credit facility, to redeem the senior floating rate deferred interest notes issued by its affiliate, Dollarama Group Holdings L.P., to repay the debt-related hedging obligations, to pay related fees and expenses and used the balance for working capital and other general corporate purposes.

The Credit Facility contains restrictive covenants that, subject to significant exceptions, limit the ability of Dollarama Group L.P. and its restricted subsidiaries, to, among other things: make investments and loans, incur, assume, or permit to exist additional indebtedness, guarantees, or liens, engage in mergers, acquisitions, asset sales or sale-leaseback transactions, declare dividends, make payments on, or redeem or repurchase equity interests, alter the nature of the business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions, and prepay, redeem, or repurchase certain indebtedness. The Credit Facility requires Dollarama Group L.P. to comply, on a quarterly basis, with the following financial covenants: a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. As of January 30, 2011, Dollarama Group L.P. was in compliance with all of its financial covenants.

The Credit Facility is guaranteed by Dollarama Holdings L.P., Dollarama Group GP Inc. and all of Dollarama Group L.P.'s existing and future restricted subsidiaries (collectively, the "Credit Parties"), and is secured by hypothecs and security interests in substantially all of the existing and future assets of the Credit Parties, as well as a pledge of existing and future intercompany notes and a pledge of Dollarama Group GP Inc.'s and Dollarama Group L.P.'s capital stock and partnership units, as applicable, as well as the capital stock and partnership units, as applicable, of each of their subsidiaries.

## **RISK FACTORS**

The following section examines the major risk factors relating to the Corporation and its business. These risks may not be the only risks we face. Other risks of which we are not aware or which we currently deem to be immaterial may arise and have a material adverse impact on us, our business, results from operations and financial condition.

### **Risks Related to Our Business Operations**

#### ***Merchandise and Operating Costs***

Our ability to provide quality merchandise at low price points is subject to a number of factors that are beyond our control, including merchandise costs, foreign exchange rate fluctuations, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce our profitability and have an adverse impact on our cash flows.

We believe that our fixed price points of \$0.69, \$1.00, \$1.25, \$1.50 and \$2.00 give us some flexibility to address cost increases by adjusting our selling price on certain items. There is, however, no guarantee that we will continue to be successful in offsetting costs in a meaningful way given the limited range of prices which we offer. There can be no assurance that we will be able to continue to pass on any cost increases to our customers.

Foreign exchange rate fluctuations have a material impact on our merchandise costs. While all of our sales are in Canadian dollars, we purchase a majority of our merchandise from overseas suppliers using U.S. dollars. As an example, given that we import a significant portion of our merchandise from China, our cost of sales is impacted by the fluctuation of the Chinese renminbi against the U.S. dollar and the fluctuation of the U.S. dollar against the Canadian dollar. We enter into U.S. dollar currency hedging to reduce the risk associated with foreign exchange rate fluctuations.

Our labour costs are largely outside of our control, driven by the legislated minimum wage in each Province; however, productivity improvements resulting from various operational initiatives partially offset the additional

costs of wage rate increases. Our rent expenses, while substantial, have multi-year visibility due to the long term nature of our leases. Historically, we have been able to negotiate leases on favourable terms and will have significant lead time to prepare for possible rent increases.

In addition, fuel cost increases or surcharges could also increase our transportation costs and therefore impact our profitability. Inflation and adverse economic developments in Canada, where we both buy and sell merchandise, and in China and other parts of Asia, where we buy a large portion of our imported merchandise, can have a negative impact on our margins, profitability and cash flows. If we are unable to predict and respond promptly to these or other similar events that may increase our operating and merchandise costs, our business and financial results could be materially adversely affected.

### ***Merchandise Selection and Replenishment***

Our success depends in large part on our ability to continually find, select and purchase quality merchandise at attractive prices in order to replace underperforming goods and expand assortment of products. We typically do not enter into long-term contracts for the purchase or development of merchandise and must continually seek out buying opportunities from both our existing suppliers and new sources, for which we compete with other multi-price dollar stores, variety and discount stores and mass merchants. Although we believe that we have strong and long-standing relationships with our suppliers, we may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If we cannot find or purchase the necessary amount of competitively priced merchandise to replace goods that are outdated or unprofitable, our business and financial results could be materially adversely affected.

### ***Imports and Supply Chain***

Following one of our key business strategies of sourcing quality merchandise directly from the lowest cost suppliers, we rely heavily on imported goods. Imported goods are generally less expensive than domestic goods and contribute significantly to our favorable profit margins. Our imported merchandise could become more expensive or unavailable for a number of reasons, including: (a) disruptions in the flow of imported goods due to factors such as raw material shortages or an increase in prices, work stoppages, factory closures, suppliers going out of business, inflation, strikes, and political unrest in foreign countries; (b) problems with shipping, including shipping container shortages or increases in shipping rates imposed by carriers; (c) economic crises and international disputes, such as China's claims to sovereignty over Taiwan; (d) increases in the cost of purchasing or shipping foreign merchandise resulting from a failure of Canada to maintain normal trade relations with foreign countries we deal with; and (e) import duties, import quotas, and other trade sanctions. The development of one or more of these factors could materially adversely affect our business and financial results.

If imported merchandise becomes more expensive or unavailable, we may not be able to transition to alternative sources in time to meet our demands. Products from alternative sources may also be of lesser quality and more expensive than those we currently import. A disruption in the flow of our imported merchandise or an increase in the cost of those goods due to these or other factors would significantly decrease our sales and profits and have a material adverse impact on our business and financial results.

We believe that we have good relations with our suppliers and that we are generally able to obtain competitive pricing and other terms from suppliers. However, we buy products on an order-by-order basis and have very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If we fail to maintain good relations with our suppliers, or if our suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, we may not be able to obtain attractive pricing. In addition, if we are unable to receive merchandise from our suppliers on a timely basis because of interruptions in production or other reasons that are beyond our control, our business and financial results could be materially adversely affected.

### ***Distribution Network***

We must constantly replenish depleted inventory through deliveries of merchandise from our suppliers to our four warehouses, our distribution center and direct to our stores by various means of transportation, including shipments by sea, train and truck on the roads and highways of Canada. Long-term disruptions to our warehouses

and distribution center and to the national and international transportation infrastructure that lead to delays or interruptions of service would materially adversely affect our business and financial results.

In addition, we may need additional warehouse and distribution center capacity in the coming years to support future store openings. Although we believe our existing distribution network currently has the capacity to cost-effectively service our expansion plan in the foreseeable future, we may not be able to successfully execute our growth strategy if we are unable to locate sites for new warehouses and distribution centers or unable to launch warehouses or distribution centers on a timely basis.

### ***Inventory Shrinkage***

We are subject to the risk of inventory loss and administrative or operator errors, including mislabeling, theft and fraud. We have experienced inventory shrinkage in the past, and we cannot be sure that incidences of inventory loss and theft will decrease in the future or that the measures we are taking or the initiatives we implemented will effectively address the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, our business and financial results could be materially adversely affected.

### ***Real Estate***

As of January 30, 2011, we leased all our stores from unaffiliated third parties, except 18 of our stores leased from entities controlled by Larry Rossy. We leased all of our warehouses, our distribution center and our head office from entities controlled by Larry Rossy. Our warehouse, distribution center and head office leases will expire in fiscal year 2025. Unless the terms of our leases are extended, the properties, together with any improvements that we have made, will revert to the property owners upon expiration of the lease terms. As the terms of our leases expire, we may not be able to renew these leases or find alternative store locations that meet our needs on favorable terms, or at all. If we are unable to renew a significant number of our expiring leases or to promptly find alternative store locations that meet our needs, our business and financial results could be materially adversely affected. Many leases also provide that the landlord may increase the rent over the term of the lease, as well as obligate us to pay a variety of costs such as cost of insurance, taxes, maintenance and utilities. Breaching the terms of a lease may result in the Corporation incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that we terminate a significant number of leases on that basis, our business and financial results could be materially adversely affected.

### ***Seasonality***

Historically, our highest sales results have occurred in the fourth quarter, during the Christmas holidays selling season. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's day, Valentine's day and Halloween. Failure to adequately prepare for the holidays sales demand could have a material adverse effect on our business and financial results.

### ***Private Brands***

We carry a substantial number of private brand items. We believe that our success in maintaining broad market acceptance of our private brands depends on many factors, including pricing, quality and customer perception. If we do not achieve or maintain our expected sales for our private brands, our business and financial results could be materially adversely affected.

### ***Intellectual Property***

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. Accordingly, we protect our trademarks and proprietary rights. However, monitoring the unauthorized use of our intellectual property is difficult and violations may not always become immediately known. Furthermore, the steps we generally take to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of our products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by us. In addition, our intellectual property rights may not have the value that we believe they have. If we are unsuccessful in protecting our intellectual property rights, or

if another party prevails in litigation against us relating to our intellectual property rights, the value and adequacy of our brand recognition could be diminished causing customer confusion and materially adversely affecting our business and financial results and we may incur significant costs that require us to change certain aspects of our operations.

## **Financial Risks**

### ***Foreign Exchange Risk***

Our results of operations are impacted by the foreign exchange rate fluctuations. While all of our sales are in Canadian dollars, we purchase a majority of our merchandise from overseas suppliers using U.S. dollars. For example, if the Chinese renminbi were to appreciate against the U.S. dollar, our cost of merchandise purchased in China would increase, which would have a negative impact on our margins, profitability and cash flows. If the U.S. dollar would appreciate against the Canadian dollar at the same time, the negative impact would be further exacerbated.

We use foreign exchange forward contracts to mitigate the risk from fluctuations in the U.S. dollar relative to the Canadian dollar. The majority of foreign exchange forward contracts are used only for risk management purposes and are designated as hedges of specific anticipated purchases of merchandise. Currency hedging entails a risk of illiquidity and, to the extent that the U.S. dollar depreciates against the Canadian dollar, the risk of using hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if management's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### ***Leverage***

As of January 30, 2011, we had long-term debt excluding financing costs of \$366.9 million. Our level of indebtedness could have important consequences, including the following:

- a substantial portion of our cash flows from operations will be dedicated to the payment of principal and interest on our indebtedness and other financial obligations and will not be available for other purposes, including funding our operations and capital expenditures for projects such as a new warehouse or distribution center, new store openings, and future business opportunities;
- our ability to obtain additional financing for working capital and general corporate or other purposes may be limited;
- our debt level may limit our flexibility to engage in specified types of transactions or in planning for, or reacting to, changes in our business and in our industry in general, placing us at a competitive disadvantage compared to our competitors that have less debt; and
- our leverage may make us vulnerable to a downturn in general economic conditions and adverse industry conditions.

### ***Liquidity***

A substantial portion of our cash flows from operations is dedicated to the payment of principal and interest on our indebtedness and other financial obligations. Our ability to service our debt and other financial obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control, including fluctuations in interest rates, market liquidity conditions, increased operating costs, and trends in our industry. If our cash flows and capital resources are insufficient to meet our debt service obligations, we may be forced to reduce the scope of, or delay, capital expenditures, new store openings and future business opportunities, and sell assets, seek additional capital, or restructure or refinance our indebtedness. Furthermore, the Credit Facility contains restrictive covenants that, subject to significant exceptions, limit the ability of our restricted subsidiaries to, among other things: make investments and loans, incur, assume, or permit to exist additional indebtedness, guarantees, or liens, engage in mergers, acquisitions,

asset sales or sale-leaseback transactions, declare dividends, make payments on, or redeem or repurchase equity interests, alter the nature of the business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions, and prepay, redeem, or repurchase certain indebtedness. The Credit Facility also requires Dollarama Group L.P. to comply, on a quarterly basis, with the following financial covenants: a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. This may prevent us from pursuing certain business opportunities and taking certain actions that may be in the best interest of our business, which could materially adversely affect our business and financial results.

### ***Interest Rates***

Most of our indebtedness, including the borrowings under the Credit Facility, is at variable rates of interest and exposes us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows would decrease.

## **Market Risks**

### ***Retail Competition***

We operate in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect our business and financial results due to the lower prices, and thus the lower margins, that may be required to maintain our competitive position. Companies operating in our industry may have limited ability to increase prices in response to increased costs. This limitation may also affect our margins and financial performance.

We also compete for customers, employees, store sites, products and services and in other important aspects of our business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Some of our competitors in the retail industry are much larger and have substantially greater resources than we do, and we remain vulnerable to the marketing power and high level of consumer recognition of major mass merchants, and to the risk that these mass merchants or others could venture into our market segment in a significant way. In addition, we expect that our expansion plans, as well as the expansion plans of other Canadian, U.S. or other foreign dollar stores, will increasingly bring us into direct competition with them. Competition may also increase because there are no significant economic barriers to other companies opening dollar stores. If we fail to respond effectively to competitive pressures and changes in the retail markets, it could materially adversely affect our business and financial results.

### ***Economic Conditions***

Adverse global or Canadian economic conditions affecting disposable consumer income, such as employment levels, consumer debt levels, lack of available credit, business conditions, fuel and energy costs, interest rates, and tax rates, could materially adversely affect our business and financial results by reducing consumer spending or causing customers to shift their spending to other products. In addition, these economic conditions may materially adversely affect us, our suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of Dollarama, our suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which we are unable to fully anticipate.

## **Human Resources Risks**

### ***Human Resources***

Our future growth and performance depends on our ability to attract, retain and motivate qualified employees, many of whom are in positions with historically high rates of turnover. Our ability to meet our labour needs, while controlling our labour costs, is subject to many external factors, including the competition for and availability of

qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for our employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). Also, we must be able to successfully manage staff and management personnel throughout our vast, geographically dispersed network of stores, and to control losses resulting from inventory and cash shrinkage. The Corporation's employees are not unionized. Should any portion of our employee base attempt to unionize, the successful negotiation of a collective bargaining agreement cannot be assured. Protracted and extensive work stoppages or labour disruptions could materially adversely affect our business and financial results.

### ***Reliance on Key Personnel***

Our senior executives have extensive experience in our industry and with our business, products and customers. The loss of knowledge of our operations, management expertise and technical proficiency as a result of the loss of one or more members of our core management team, including Larry Rossy, our CEO, Neil Rossy, our Chief Merchandising Officer and the son of Larry Rossy, Geoffrey Robillard, our Senior Vice President, Import Division, Michael Ross, our Chief Financial Officer and Secretary, and Stéphane Gonthier, our Chief Operating Officer, could result in a diversion of management resources or a temporary executive gap, or negatively affect our ability to develop and pursue other business strategy, which could materially adversely affect our business and financial results.

## **Technology Risks**

### ***Information Technology Systems***

We depend on our information technology systems for the efficient functioning of our business, including accounting, data storage, purchasing and inventory management, and store communications systems. Our enterprise-wide software solutions enable management to better and more efficiently conduct our operations and gather, analyze, and assess information across all business segments and geographic locations. Difficulties with the hardware and software platform could disrupt our operations, including our ability to timely ship and track product orders, project inventory requirements, manage our supply chain, and otherwise adequately service our customers, which would have a material adverse effect on our business and financial results. Prolonged disruptions to our information technology systems may reduce the efficiency of our entire operation, which could materially adversely affect our business and financial results.

## **Strategy and Corporate Structure Risks**

### ***Growth Strategy***

We have experienced substantial growth during the past several years and we plan to continue to open new stores in the near future. Our ability to successfully execute our growth strategy will depend largely on our ability to successfully open and operate new stores, particularly outside of our traditional core markets of Ontario and Québec, which, in turn, will depend on a number of operational, financial, and economic factors, including whether we can:

- supply an increasing number of stores with the proper mix and volume of merchandise;
- hire, train, and retain an increasing number of qualified employees at affordable rates of compensation;
- locate, lease, build out, and open stores in suitable locations on a timely basis and on favorable economic terms;
- expand into new geographic markets, where we have limited or no presence;
- expand within our traditional core markets of Ontario and Québec, where new stores may draw sales away from our existing stores;
- successfully compete against local competitors; and

- build, expand and upgrade warehouses and distribution centers and internal store support systems in an efficient, timely and economical manner.

Any failure by us to achieve these goals could materially adversely affect our ability to continue to grow.

In addition, if our planned expansion occurs as anticipated, our store base will include a relatively high proportion of stores with relatively short operating histories. If our new stores on average fail to achieve results comparable to our existing stores, our business and financial results could be materially adversely affected.

### ***Corporate Structure***

Dollarama Inc. is a holding company and a substantial portion of its assets are the capital stock of its subsidiaries. As a result, the Corporation is subject to the risks attributable to Dollarama Inc.'s subsidiaries. As a holding company, Dollarama Inc. conducts substantially all of its business through its subsidiaries, which generate substantially all of Dollarama Inc.'s revenues. Consequently, Dollarama Inc.'s cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Dollarama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions, including those contained in the instruments governing their debt. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dollarama Inc.

### **Business Continuity Risks**

#### ***Adverse Weather, Natural Disasters and Geo-Political Events***

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in which our suppliers are located and acts of terrorism, or similar disruptions could materially adversely affect our operations and financial results. These events could result in physical damage to one or more of our properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of our stores or warehouses or distribution centers, delays in opening new stores, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delay in the delivery of goods to our warehouses, distribution centers or stores, the temporary reduction in the availability of products in our stores and disruption to our information systems. These factors could otherwise disrupt and materially adversely affect our operations and financial results.

#### ***Insurance***

Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the dispersion of our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime and some natural disasters. If we incur these losses and they are material, our business and financial results could be materially adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to these market changes. Although we continue to maintain property insurance for catastrophic events, we are effectively self-insured for property losses up to the amount of our deductibles. If we experience a greater number of these losses than we anticipate, our business and financial results could be materially adversely affected.

### **Legal and Regulatory Risks**

#### ***Litigation***

Our business is subject to the risk of litigation by employees, customers, consumers, suppliers, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings,

regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. Also, in connection with the Corporation's business activities, the Corporation is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of our tax filings. The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could materially adversely affect our business and financial results.

### ***Product Liability Claims and Product Recalls***

The Corporation sells products produced by third party manufacturers. Some of these products may expose the Corporation to product liability claims relating to personal injury, death or property damage caused by such products, and may require the Corporation to take actions. One or more of our suppliers might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise ships to our stores. If our suppliers are unable or unwilling to recall products failing to meet our quality standards, we may be required to remove merchandise from our shelves or recall those products at a substantial cost to us. Product recalls, withdrawals or replacements may harm the Corporation's reputation and acceptance of its products by customers, which may materially adversely affect our business and financial results or even increase the amount of competition that we face. Some competitors may attempt to differentiate themselves from the Corporation by claiming that their products are produced in a manner, or geographic area, that is insulated from the issues that preceded the recalls, withdrawals, or replacements of the Corporation's products. Although the Corporation maintains liability insurance to mitigate potential claims, the Corporation cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all. Product liability claims and product recalls, withdrawals or replacements could adversely affect our Corporation's business and financial results.

### ***Environmental Compliance***

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Certain of the facilities that we occupy have been in operation for many years and, over such time, we and the prior owners or occupants of such properties may have generated and disposed of materials which are or may be considered hazardous. Accordingly, it is possible that additional environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although we have not been notified of, and are not aware of, any current environmental liability, claim, or non-compliance, we could incur costs in the future related to our properties in order to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of our business, we sometimes use, store, handle or dispose of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. We cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures by us which could vary substantially from those currently anticipated.

### ***Regulatory Environment***

We are subject to many laws and regulations related to importing and selling merchandise, including, among others, product safety, labour practices, merchandise quality, labeling, policies related to our suppliers and the

countries in which they are located or from which they import, foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from certain countries, and other factors related to our business. Compliance with such laws and regulations could require us to make significant expenditures or incur substantial costs. In addition, any failure to comply with such laws and regulations could materially adversely affect our business and financial results.

## **DIVIDEND POLICY**

The Corporation has not declared or paid any cash dividends on its Common Shares to date, and does not currently intend to pay any cash dividends on its Common Shares. The Corporation currently intends to use its earnings to fund future operations, to finance the expansion of its business and to reduce indebtedness. In addition, the Corporation's ability to pay dividends is subject to certain customary covenants contained in Dollarama's debt instruments, including the Credit Facility. Any future determination to pay dividends on the Common Shares will be at the discretion of the Board of Directors and will depend on, among other things, Dollarama's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series (the "Preferred Shares"). As of the date hereof, there are 73,641,508 Common Shares issued and outstanding and no Preferred Shares are issued and outstanding. The summary below of the rights, privileges, restrictions and conditions attaching to the shares of the Corporation is subject to, and qualified by reference to, the Corporation's articles and by-laws.

### **Common Shares**

The holders of the Common Shares are entitled to one vote in respect of each Common Share held at all meetings of holders of shares, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of the Common Shares are entitled to receive any dividend declared by the Corporation in respect of the Common Shares, subject to the rights of the holders of other classes of shares. The holders of the Common Shares will be entitled to receive, subject to the rights of the holders of other classes of shares, the remaining property and assets of the Corporation available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

### **Preferred Shares**

The Preferred Shares will be issuable at any time and from time to time in one or more series. The Board of Directors will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the Preferred Shares of each series, which may include voting rights, the whole subject to the issue of a certificate of amendment setting forth the designation and provisions attaching to the Preferred Shares or shares of the series. The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series and will be entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares with respect to payment of dividends and distribution of any property or assets in the event of the Corporation's liquidation, dissolution or winding-up, whether voluntary or involuntary. If any cumulative dividends (whether or not declared), non-cumulative dividends declared or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series will participate rateably in accordance with the amounts that would be payable on such Preferred Shares if all such dividends were declared and paid in full or the sums that would be payable on such shares on the return of capital were paid in full, as the case may be.

## MARKET FOR SECURITIES AND TRADING PRICE AND VOLUME

The Common Shares are listed for trading on the TSX under the symbol “DOL”. The following table shows the monthly range of high and low prices per Common Share at the close of market (TSX), as well as total monthly volumes and average daily volumes of the Common Shares traded on the TSX (and other alternative platforms, including Alpha Trading Systems) for the fiscal year ended January 30, 2011:

<b>Month</b>	<b>Price per Common Share (\$) Monthly High</b>	<b>Price per Common Share (\$) Monthly Low</b>	<b>Common Shares Total Monthly Volume</b>	<b>Common Shares Average Daily Volume</b>
February 2010 .....	\$21.53	\$20.40	3,265,914	163,296
March 2010 .....	\$22.05	\$21.35	5,248,943	228,215
April 2010 .....	\$25.40	\$22.25	9,860,360	448,198
May 2010 .....	\$24.99	\$23.61	3,219,472	153,308
June 2010 .....	\$25.80	\$24.50	2,271,203	103,237
July 2010 .....	\$25.70	\$24.20	2,826,123	128,460
August 2010 .....	\$25.89	\$25.07	1,478,065	67,185
September 2010.....	\$27.75	\$25.15	3,557,606	161,709
October 2010.....	\$27.50	\$26.17	4,420,610	210,505
November 2010.....	\$29.33	\$26.79	3,289,798	149,536
December 2010 .....	\$29.39	\$28.47	11,486,892	499,430
January 2011 (until January 30) .....	\$28.95	\$27.66	4,400,737	220,037

## DIRECTORS AND OFFICERS

### Directors

The following table sets out, as at the date hereof, for each of our directors, the person’s name, province or state, and country of residence, position(s) with us, the date on which he became a director, his principal occupation and previously held positions for the last five years. Our directors are expected to hold office until our next annual meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders.

<b>Name and Province or State and Country of Residence</b>	<b>Position(s)</b>	<b>Since</b>	<b>Principal Occupation</b>	<b>Previously Held Positions (Last 5 Years)</b>
Larry Rossy..... Québec, Canada	Chair of the Board of Directors and CEO	2004	Chair of the Board of Directors and CEO	—
Joshua Bekenstein <sup>(1)(2)</sup> .....	Director	2004	Managing Director, Bain Capital	—
Gregory David .....	Director	2004	CEO of GRI Capital Inc.	—
Stephen Gunn <sup>(3)(4)(5)(6)(7)</sup> .....	Lead Director	2009	Chair of the board of directors and CEO of Sleep Country Canada Inc.	—
Matthew Levin <sup>(6)</sup> .....	Director	2004	Managing Director, Bain Capital	—

<b>Name and Province or State and Country of Residence</b>	<b>Position(s)</b>	<b>Since</b>	<b>Principal Occupation</b>	<b>Previously Held Positions (Last 5 Years)</b>
Nicholas Nomicos <sup>(8)</sup> ..... Massachusetts, USA	Director	2004	Operating Partner, Bain Capital	Senior Vice President, Interim CFO and Secretary of Dollarama Inc. (from September 2009 to April 2010)
Neil Rossy..... Québec, Canada	Director and Chief Merchandising Officer	2004	Chief Merchandising Officer	—
John J. Swidler, FCA <sup>(9)</sup> ..... Québec, Canada	Director	2010	Senior Advisor, RSM Richter Chamberland LLP	Managing Partner, RSM Richter Chamberland LLP (from 1996 to January 1, 2007)
Huw Thomas <sup>(2) (5)(10)</sup> ..... Ontario, Canada	Director	2011	Corporate Director	Executive Vice-President, Financial Strategy and Performance (from November 2009 to December 2010) and Chief Financial Officer (from October 2000 to November 2009) of Canadian Tire Corporation, Limited.

(1) Chair of the Compensation Committee.

(2) Member of the Nominating and Governance Committee. See “Recent Developments - Board of Directors and Nominating and Governance Committee”.

(3) Chair of the Nominating and Governance Committee. See “Recent Developments - Board of Directors and Nominating and Governance Committee”.

(4) Lead Director.

(5) Member of the Audit Committee.

(6) Member of the Compensation Committee.

(7) Stephen Gunn was appointed as a member of the Compensation Committee on February 17, 2010 in replacement of Todd Cook, who resigned from his positions as director, member of the Audit Committee and member of the Compensation Committee on February 17, 2010.

(8) Nicholas Nomicos served as an interim member of the Audit Committee from November 28, 2010 to March 24, 2011 in replacement of Donald Gray Reid, who resigned from his positions as director and member of the Audit Committee effective as of November 28, 2010.

(9) Chair of the Audit Committee.

(10) Huw Thomas was appointed to the Board of Directors on March 24, 2011 to fill the vacancy created by the resignation of Donald Gray Reid effective as of November 28, 2010. Huw Thomas was also appointed to the Audit Committee on March 24, 2011 in replacement of Nicholas Nomicos, who served as an interim member of the Audit Committee following the resignation of Donald Gray Reid.

## Executive Officers

The following table sets out, as at the date hereof, for each of our executive officers, the person’s name, province or state, and country of residence, position(s) with us, the date on which he became an executive officer and previously held positions for the last five years.

<b>Name and Province or State and Country of Residence</b>	<b>Position(s)</b>	<b>Since</b>	<b>Previously Held Positions (Last 5 Years)</b>
Larry Rossy..... Québec, Canada	Chair of the Board of Directors and CEO	2004	—
Michael Ross, CA..... Québec, Canada	CFO and Secretary	2010 <sup>(1)</sup>	CFO of Sanimax Industries Inc. (from 2007 to 2010); Vice President, Administration and CFO of the Bell Nordiq Group Inc. (from 1998 to 2007)

Name and Province or State and Country of Residence	Position(s)	Since	Previously Held Positions (Last 5 Years)
Stéphane Gonthier ..... Québec, Canada	COO	2007	Various executive positions at Alimentation Couche-Tard Inc. (operator of convenience stores) (from 1998 to 2007)
Neil Rossy..... Québec, Canada	Chief Merchandising Officer	2004	—
Geoffrey Robillard..... Québec, Canada	Senior Vice President, Import Division	2004	—
Leonard Assaly ..... Québec, Canada	Senior Vice President, Information Technology and Logistics	2004	—

(1) Michael Ross was appointed CFO and Secretary of the Corporation on April 12, 2010.

As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 5,160,778 Common Shares, representing 7.0% of the Common Shares outstanding on a non-diluted basis as of the date hereof.

## Biographies

The following are brief profiles of the executive officers and directors of the Corporation, including a description of each individual's principal occupation within the past five years.

**Larry Rossy** is the Chair of our Board of Directors and our CEO. He has been a retailer since 1965 and is the founder of Dollarama. In 1992, Mr. Rossy made the strategic decision to convert our company to the “dollar store” concept. Since that time, Mr. Rossy’s principal focus has been on the expansion of the Dollarama retail network. In addition to overseeing the organization, Mr. Rossy is directly responsible for new store development and site selection. Mr. Rossy serves as a director of Colart Design Inc. and Confection Courcel Inc.

**Joshua Bekenstein** is a member of our Board of Directors and the Chair of the Compensation Committee. Mr. Bekenstein is a Managing Director at Bain Capital. Prior to joining Bain Capital in 1984, Mr. Bekenstein spent several years at Bain & Company, where he was involved with companies in a variety of industries. Mr. Bekenstein serves as a director of several corporations, including Bombardier Recreational Products, Inc., Bright Horizons Family Solutions Inc., Burlington Coat Factory, Michaels Stores, Inc., Toys “R” Us, Inc. and Waters Corporation.

**Gregory David** is a member of our Board of Directors. He is the CEO of GRI Capital Inc. and has been with the company and its affiliates since 2003. Prior to GRI Capital Inc., Mr. David provided financial and strategic advisory services to private and public companies from 2000 to 2003. Previously, he worked at Claridge Inc. from 1998 to 2000 and at McKinsey & Co. from 1996 to 1998. He has a Bachelor of Commerce from Queens University, a Bachelor of Civil Law from McGill University and a Master of Business Administration from Harvard Business School.

**Stephen Gunn** is the Lead Director of our Board of Directors. Mr. Gunn serves as chair of the board of directors and CEO of Sleep Country Canada Inc. He is also a director of Golf Town Inc. since 2005. Mr. Gunn served as director of Connors Bros. Income Fund from 2004 to 2007. He has a Bachelor of Electrical Engineering from Queens University and a Master of Business Administration from the University of Western Ontario.

**Matthew Levin** is a member of our Board of Directors. He is a Managing Director at Bain Capital. Prior to joining Bain Capital in 1992, Mr. Levin was a consultant at Bain & Company, where he consulted in the consumer products and manufacturing industries. He serves as a director of several corporations, including Bombardier Recreational Products, Inc., Guitar Center, Inc., Michaels Stores, Inc., Toys “R” Us, Inc. and Unisource Worldwide, Inc.

**Nicholas Nomicos** is a member of our Board of Directors. Mr. Nomicos is an Operating Partner at Bain Capital. He served as our Senior Vice President, Interim CFO and Secretary from September 2009 to April 2010. Prior to joining Bain Capital in 1999, Mr. Nomicos held several senior corporate and division management positions at Oak Industries Inc., a publicly traded component manufacturing conglomerate serving the telecommunications and appliance control industries. Previously, Mr. Nomicos was a Manager at Bain & Company. He also serves as a director of Bombardier Recreational Products, Inc.

**Neil Rossy** is a member of our Board of Directors. Mr. Rossy joined Dollarama at its inception in 1992 and currently serves as Chief Merchandising Officer. He led the design and construction of the Dollarama warehouses, distribution center and head office. Mr. Rossy is responsible for store design, merchandising, product development and special projects.

**John J. Swidler**, FCA, is a member of our Board of Directors and the Chair of the Audit Committee. Mr. Swidler has been a director of Reitmans (Canada) Limited since April 2, 2008 as well as the Chair of the Board of Trustees of the Noranda Operating Trust, which supervises the Noranda Income Fund, since October 7, 2010. He is also a Senior Advisor of the Montréal office of RSM Richter LLP. He was the Managing Partner of RSM Richter LLP from 1996 to January 1, 2007 and was Chairman of the firm's executive committee from 1982 to 1996. Mr. Swidler graduated from McGill University with a Bachelor of Commerce degree and obtained his designation as a Chartered Accountant. He also received a Bachelor of Civil Law from McGill University. He received his Fellow Chartered Accountant (FCA) designation from the *Ordre des comptables agréés du Québec* in 1992.

**Huw Thomas**, CA, is a member of our Board of Directors and a member of our Audit Committee. From 1996 to 2010, Mr. Thomas served in various senior financial roles at Canadian Tire Corporation, Limited, including nine years as Chief Financial Officer and, from November 2009 until December 2010, as Executive Vice-President, Financial Strategy and Performance. Mr. Thomas serves as a trustee of the Board of Trustees of Calloway Real Estate Investment Trust since April 2011 and he served as a trustee of the Board of Trustees of Connors Bros. Income Fund from 2005 to 2008. He holds a Bachelor of Science degree in Economics from the University of London (U.K.), and is a Certified U.K. and Canadian Chartered Accountant.

**Michael Ross**, CA, was appointed as our CFO and Secretary, effective as of April 12, 2010. Prior to joining Dollarama, Mr. Ross was the CFO of Sanimax Industries Inc. for three years and from 1997 to 2007 he served as Vice President, Administration and CFO of the Bell Nordiq Group Inc. Mr. Ross earned his Bachelor of Commerce and Graduate Accounting diplomas from Concordia University in 1981 and 1983, respectively.

**Stéphane Gonthier** has been our COO since September 2007. From 1998 until 2007, Mr. Gonthier served in various executive positions with Alimentation Couche-Tard Inc., a North American convenience store chain. His final position was as Senior Vice President, Eastern North America, in charge of four divisions consisting of approximately 2,600 convenience stores in Canada and the United States. Mr. Gonthier has a Bachelor of Civil Law from Université de Sherbrooke and a Master of Business Administration from Université de Sherbrooke. Mr. Gonthier was called to the Québec Bar in 1989. Mr. Gonthier also serves as a member of the board of directors of Investissements Trévi Inc. and Spectra Premium Industries Inc.

**Geoffrey Robillard** has been our Senior Vice President, Import Division since October 2006 and prior to that he was President of Aris Import Inc., a wholly-owned subsidiary from November 2004. From 1973 to November 2004, Mr. Robillard was the owner and President of 9148-7264 Québec Inc. (formerly known as Aris Import Inc.), which was at that time a major distributor for imports from overseas. In 1992, Mr. Robillard, through Aris Import Inc., began working with Dollarama towards establishing Dollarama's direct overseas sourcing capabilities and this relationship became exclusive in 1996. Mr. Robillard became an officer of Aris Import Inc. when we acquired the assets of 9148-7264 Québec Inc. in November 2004. He has been building our import division and manages a team that sources product internationally, evaluates supplier's offers and samples, and works with our buyers to choose merchandise. He supervises pricing negotiations, quality control issues with import suppliers and coordination of all import delivery logistics, duties, and customs.

**Leonard Assaly** is our Senior Vice President, Information Technology and Logistics. He has worked with Mr. Larry Rossy in the retail business since 1973 and was a member of Dollarama's founding management team in 1992. Mr. Assaly is responsible for our information technology design. He oversees the development and implementation of retail and replenishment software applications.

## Cease Trade Orders or Bankruptcies

None of our directors or executive officers:

- (a) is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, CEO or CFO of any company (including us) that,
  - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or
  - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

For the purposes of the paragraphs above, “order” means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

None of our directors or executive officers, or a shareholder holding a sufficient number of Common Shares to affect materially the control of our Corporation:

- (a) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

except for:

- (i) Joshua Bekenstein who was (A) a director of Mattress Discounters Corporation when it filed for protection under Chapter 11 of the U.S. Bankruptcy Code in October 2002, and (B) a director of KB Toys, Inc. when it filed for protection under Chapter 11 of the U.S. Bankruptcy Code in January 2004;
- (ii) Matthew Levin who was a director of KB Toys, Inc. when it filed for protection under Chapter 11 of the U.S. Bankruptcy Code in January 2004; and
- (iii) Stephen Gunn who was a director of Mattress Discounters Corporation when it filed for protection under Chapter 11 of the U.S. Bankruptcy Code in October 2002; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## Penalties or Sanctions

None of our directors or executive officers, or a shareholder holding a sufficient number of Common Shares to affect materially the control of our Corporation:

- (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## Conflicts of Interest

To the best of our knowledge, and other than the real property leases with entities controlled by Larry Rossy, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. See “Directors and Officers” and “Interest of Management and Others in Material Transactions”.

## Indemnification and Insurance

The Corporation currently has a \$75 million directors and officers insurance program, as well as an additional \$25 million difference in conditions (DIC) coverage. Following the completion of its IPO on October 16, 2009, the Corporation entered into indemnification agreements with each of its directors. The indemnification agreements generally require that the Corporation indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees’ service to the Corporation as directors, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Corporation’s best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Corporation.

## AUDIT COMMITTEE INFORMATION

### Charter of the Audit Committee

The Board of Directors has adopted a written charter for the audit committee of the Corporation (the “Audit Committee” and the “Charter of the Audit Committee”), which sets out the Audit Committee’s responsibility in reviewing the financial statements of the Corporation and public disclosure documents containing financial information and reporting on such review to the Board of Directors, ensuring that adequate procedures are in place for the review of the Corporation’s public disclosure documents that contain financial information, overseeing the work and review the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the Charter of the Audit Committee is attached to this Annual Information Form as Schedule A.

### Composition of the Audit Committee

As of the date hereof, the Audit Committee is composed of three members, as follows: John J. Swidler, Chair, Stephen Gunn and Huw Thomas. Each member of the Audit Committee is independent and financially literate, within the meaning of *National Instrument 52-110 – Audit Committees* (“NI 52-110”).

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

Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

In addition to each Audit Committee member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

**John J. Swidler (Chair)** has been a director and a member of the audit committee of Reitmans (Canada) Limited since 2008. He is also the Chair and a member of the audit committee of the Board of Trustees of the Noranda Operating Trust, which supervises the Noranda Income Fund, since October 7, 2010. Mr. Swidler is a Senior Advisor at the Montreal office of RSM Richter LLP. From 1996 to 2007, he was the Managing Partner of the Montreal office of RSM Richter LLP and was Chairman of the firm’s executive committee for fourteen years prior to that. Mr. Swidler graduated from McGill University with a Bachelor of Commerce degree and obtained his

designation as a Chartered Accountant. He also received a Bachelor of Civil Laws from McGill University. He received his Fellow Chartered Accountant (FCA) designation from the *Ordre des comptables agréés du Québec* in 1992.

**Stephen Gunn** serves as Chair of the board of directors and CEO of Sleep Country Canada Inc. He is also a director of Golf Town Inc. since 2005. Mr. Gunn served as director of Connors Bros. Income Fund from 2004 to 2007. He has a Bachelor of Electrical Engineering from Queens University and a Master of Business Administration from the University of Western Ontario.

**Huw Thomas** served in various senior financial roles at Canadian Tire Corporation, Limited from 1996 to 2010, including nine years as Chief Financial Officer and, from November 2009 until December 2010, as Executive Vice-President, Financial Strategy and Performance. Mr. Thomas serves as a trustee of the Board of Trustees of Calloway Real Estate Investment Trust since April 2011 and he served as a trustee of the Board of Trustees of Connors Bros. Income Fund from 2005 to 2008. He holds a Bachelor of Science degree in Economics from the University of London (U.K.), and is a Certified U.K. and Canadian Chartered Accountant.

### Reliance on Certain Exemptions

Since the commencement of the Corporation's fiscal year ended January 30, 2011, the Corporation has relied on the exemptions in the following sections of NI 52-110: (i) Section 3.2 (Initial Public Offerings) from February 1, 2010 to February 17, 2010, the date of the appointment of Donald Gray Reid as third independent member on the Audit Committee, and (ii) Section 3.5 (Death, Disability or Resignation of Audit Committee Member) from November 28, 2010 to March 24, 2011, which corresponds to the period during which Nicholas Nomicos served as an interim member of the Audit Committee in replacement of Donald Gray Reid, who resigned from the Audit Committee effective as of November 28, 2010. As of the date hereof, the Corporation is not relying on any such exemptions or any other exemptions provided under NI 52-110.

### External Auditor Service Fee

For the two fiscal years ended January 30, 2011 and January 31, 2010, the Corporation was billed the following fees by its external auditor, PricewaterhouseCoopers LLP:

	<b>Fiscal year ended January 30, 2011</b>	<b>Fiscal year ended January 31, 2010</b>
Audit Fees <sup>(1)</sup> .....	\$450,000	\$582,000
Audit-Related Fees <sup>(2)</sup> .....	\$250,200	\$788,495
Tax Fees <sup>(3)</sup> .....	\$352,900	\$187,000
All Other Fees <sup>(4)</sup> .....	<u>\$109,300</u>	<u>\$154,000</u>
<b>Total Fees Paid</b> .....	<b>\$1,162,400</b>	<b>\$1,711,495</b>

(1) "Audit Fees" include fees necessary to perform the annual audit of the consolidated financial statements.

(2) "Audit-Related Fees" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees". In fiscal year ended January 30, 2011, this category represents primarily fees for secondary offerings of Common Shares and IFRS support, while in fiscal year ended January 31, 2010, this category represents primarily fees for IPO-related services.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.

(4) "Other Fees" include fees for products and services provided by the auditors other than those included above. This category represents primarily fees related to internal controls assessments and translation services.

### LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are from time to time involved in legal proceedings and regulatory actions of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed fiscal year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Board of Directors reviews and approves transactions between us on the one hand and a related party, such as our directors, officers, holders of more than ten percent of our voting securities and their affiliates and associates, the immediate family members of any of the foregoing persons and any other persons whom the Board of Directors determined may be considered a related party, on the other hand. Prior to the Board of Directors' consideration of a transaction with a related party, the material facts as to the related party's relationship or interest in the transaction are disclosed to the Board of Directors, and the transaction is not considered approved by the Board of Directors unless a majority of the directors who are not interested in the transaction approve the transaction. We believe each of the transactions set forth below were made on terms no less favorable to us than could have been otherwise obtained from unaffiliated third parties.

### **Shareholders Agreement**

As of the date hereof, Dollarama, 4411145 Canada Inc., Bain Dollarama (Luxembourg) One S.à r.l., an entity indirectly owned by funds advised by Bain Capital, The Larry and Cookie Rossy Family Foundation, The Alan & Roula Rossy Family Foundation, The Leonard T. Assaly Family Foundation, 3457745 Canada Inc. and Edmund Rossy Holdings Ltd. are parties to a shareholders agreement (the "Shareholders Agreement"). The Shareholders Agreement has a term of three (3) years, commencing on the date of the closing of the IPO on October 16, 2009. The Shareholders Agreement provides for, among other things, registration rights for the parties as well as an obligation of consultation and coordination among the parties prior to any sale of the Common Shares.

### **Real Property Leases**

The Corporation currently leases 18 stores, four warehouses, its distribution center and its head office from entities controlled by Larry Rossy, pursuant to long-term lease agreements. Rental expenses associated with these related-party leases are established at market terms and represented an aggregate amount of approximately \$10.8 million for the fiscal year ended January 30, 2011. See "Business of the Corporation – Stores – Store Locations and Site Selection" and "Business of the Corporation – Warehouse and Distribution Facilities".

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Montreal and Toronto.

## **MATERIAL CONTRACTS**

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Corporation has entered into during the fiscal year ended January 30, 2011 or entered into prior to the fiscal year ended January 30, 2011 but which contract is still in effect:

- the April Secondary Offering Underwriting Agreement (as hereinafter defined);
- the Secondary Offering Underwriting Agreement (as hereinafter defined); and
- the Shareholders Agreement.

## **INTERESTS OF EXPERTS**

The Corporation's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated April 7, 2011 in respect of the Corporation's consolidated financial statements as at January 30, 2011 and January 31, 2010 and for each of the years ended January 30, 2011 and January 31, 2010. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Code of Ethics of the *Ordre des comptables agréés du Québec*.

## ADDITIONAL INFORMATION

Additional information relating to Dollarama may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of Dollarama's securities and securities authorized for issuance under equity compensation plans is contained in Dollarama's information circular dated April 28, 2010 for its annual meeting of shareholders held on June 10, 2010.

Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis of Dollarama for the year ended January 30, 2011.

Dollarama will, upon request to the CFO and Secretary of Dollarama at 5805 Royalmount Ave., Montreal, Québec, H4P 0A1, provide to any person or company, the documents specified below:

- (a) when Dollarama is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
  - i. one copy of the Corporation's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;
  - ii. one copy of the consolidated annual financial statements of the Corporation for the most recently completed fiscal year for which financial statements have been filed, together with the auditors' report thereon, and one copy of any interim consolidated financial statements of the Corporation for any period after its most recently completed fiscal year;
  - iii. one copy of the information circular of the Corporation in respect of its most recent annual meeting of Shareholders that involved the election of directors, if available, or one copy of any annual filing prepared instead of that information circular, as appropriate; and
  - iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or
- (b) at any other time, Dollarama shall provide to any person or company one copy of any of the documents referred to in items (i), (ii) and (iii) of paragraph (a) above, provided that the Corporation may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of the Corporation's securities.

## GLOSSARY OF TERMS

“**April Secondary Offering Underwriting Agreement**” means the underwriting agreement dated April 14, 2010, entered into in connection with the April Secondary Offering, among the Corporation and Bain Dollarama (Luxembourg) One S.à r.l., an entity indirectly owned by funds advised by Bain Capital, 4411145 Canada Inc. and Stéphane Gonthier, as the selling shareholders, and RBC Dominion Securities Inc., CIBC World Markets Inc., Credit Suisse Securities (Canada), Inc., Scotia Capital Inc., National Bank Financial Inc., Barclays Capital Canada Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Raymond James Ltd., as underwriters.

“**Atlantic Provinces**” means New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

“**Annual Information Form**” means this annual information form of the Corporation, dated April 29, 2011.

“**Audit Committee**” has the meaning set out under the heading “Audit Committee Information”.

“**Bain Capital**” means Bain Capital Partners, LLC.

“**Board of Directors**” means the board of directors of the Corporation.

“**CBCA**” means the *Canada Business Corporations Act*.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**Charter of the Audit Committee**” has the meaning set out under the heading “Audit Committee Information - Charter of the Audit Committee”.

“**Common Shares**” means the common shares of the Corporation.

“**Compensation Committee**” means the compensation committee of the Board of Directors, within the meaning of *National Policy 58-201 – Corporate Governance Guidelines*.

“**COO**” means Chief Operating Officer.

“**Credit Facility**” has the meaning set out under the heading “Business of the Corporation - Credit Facility”.

“**dollar store**” means a store generally characterized by one or more of the following: (i) low price points, typically in the \$1.00 to \$5.00 range; (ii) convenient locations and store size; (iii) broad offerings of everyday branded or unbranded merchandise such as household products and cleaning supplies, paper and plastics, health and beauty care products, party supplies, toys, food, novelty items, seasonal merchandise and impulse products; (iv) small or individual sized product quantities; and (v) no-frills, self-service environment.

“**GAAP**” means generally accepted accounting principles.

“**IPO**” means the initial public offering of the Corporation, completed on October 16, 2009.

“**Lead Director**” means the lead director of our Board of Directors.

“**NI 52-110**” has the meaning set out under the heading “Audit Committee Information – Composition of the Audit Committee”.

“**Nominating and Governance Committee**” means the nominating and governance committee of the Board of Directors, within the meaning of *National Policy 58-201 – Corporate Governance Guidelines*.

“**Normalized EBITDA**” means the Corporation's operating income in accordance with Canadian GAAP plus amortization expense, adjusted for non-recurring charges.

“**Preferred Shares**” means the unlimited number of preferred shares of the Corporation, issuable in series.

“**Secondary Offering Underwriters**” means RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Barclays Capital Canada Inc., Credit Suisse Securities (Canada), Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc. and Raymond James Ltd.

“**Secondary Offering Underwriting Agreement**” means the underwriting agreement dated December 10, 2010, entered into among the Corporation and Bain Dollarama (Luxembourg) One S.à r. l., an entity indirectly owned by funds advised by Bain Capital, as the selling shareholder, and the Secondary Offering Underwriters.

“**Selling Shareholder**” has the meaning set out under the heading “General Development of the Business - Recent Developments - Closing of Secondary Offering of Common Shares”.

“**Shareholders Agreement**” has the meaning set out under the heading “Interest of Management and Others in Material Transactions - Shareholders Agreement”.

“**SKUs**” means stock keeping units, a unique number used to identify a specific product.

“**TSX**” means the Toronto Stock Exchange.

“**U.S.**” means United States of America.

“**Western Provinces**” means Alberta, British Columbia, Manitoba and Saskatchewan.

**APPENDIX A**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF DOLLARAMA INC.**  
**(the “Charter”)**

**1. PURPOSE**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Dollarama Inc. The members of the Committee and the chair of the Committee (the “Chair”) are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the Corporation’s financial controls and reporting and monitoring whether the Corporation complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

**2. COMPOSITION**

The Committee should be comprised of a minimum of three directors and a maximum of five directors.

- (1) The Committee must be constituted as required under National Instrument 52-110 – Audit Committees, as it may be amended or replaced from time to time (“NI 52-110”).
- (2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related parties or subsidiaries.
- (4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present 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 Corporation’s financial statements).
- (5) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

**3. LIMITATIONS ON COMMITTEE’S DUTIES**

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the Corporation (“Management”) as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of Management or in a written report of the external auditors to present fairly the

financial position of the Corporation in accordance with applicable generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

#### **4. MEETINGS**

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the Corporation and shall meet within 90 days following the end of the fiscal year of the Corporation. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine.

The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer and the Chief Financial Officer, and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the Corporation (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the Corporation (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Corporation with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with the Corporation's Management quarterly in connection with the Corporation's interim financial statements.

The Committee shall determine any desired agenda items.

#### **5. COMMITTEE ACTIVITIES**

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

##### **B. Financial Disclosure**

- (1) Review, approve and recommend for Board approval the Corporation's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related Management's Discussion & Analysis and press release.
- (2) Review, approve and recommend for Board approval the Corporation's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related Management's Discussion & Analysis and press release.
- (3) Review and approve any other press releases that contain financial information and such other financial information of the Corporation provided to the public or any governmental body as the Committee requires.

- (4) Satisfy itself that adequate procedures have been put in place by Management for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the related Management's Discussion & Analysis.
- (5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.
- (6) Receive periodically Management reports assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures.

**C. Internal Control**

- (1) Review Management's process to identify and manage the significant risks associated with the activities of the Corporation.
- (2) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.
- (3) Have the authority to communicate directly with the internal auditor.
- (4) Receive periodical Management reports assessing the adequacy and effectiveness of the Corporation's internal control systems.
- (5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

**D. Relationship with the External Auditor**

- (1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
- (2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.
- (3) Advise the external auditor that it is required to report to the Committee, and not to Management.
- (4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.
- (5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the Corporation, Management or employees that might interfere with the independence of the external auditor.
- (7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.
- (8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

- (9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the Corporation, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the Corporation, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Corporation.

**E. Audit Process**

- (1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.
- (4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (6) Review the system in place to seek to ensure that the financial statements, Management's Discussion & Analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

**F. Financial Reporting Processes**

- (1) Review the integrity of the Corporation's financial reporting processes, both internal and external, in consultation with the external auditor.
- (2) Periodically consider the need for an internal audit function, if not present.
- (3) Review all material balance sheet issues, material contingent obligations and material related party transactions.
- (4) Review with Management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

**G. General**

- (1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.
- (2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.
- (3) Periodically review and discuss with the nominating and governance committee of the Board the adequacy of the Committee mandate.
- (4) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (5) Review the public disclosure regarding the Committee required from time to time by NI 52-110.
- (6) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation to assess their independence.
- (7) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
- (8) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives.
- (9) Perform any other activities as the Committee or the Board deems necessary or appropriate.

**6. COMPLAINT PROCEDURES**

- (1) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair of the Committee will have the power and authority to oversee treatment of such complaints.
- (2) Complaints are to be directed to the attention of the Chair of the Committee.
- (3) The Committee should endeavour to keep the identity of the complainant confidential.
- (4) The Chair of the Committee will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.