CANADIAN TIRE CORPORATION, LIMITED

ANNUAL INFORMATION FORM

March 21, 2005

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Copies of the Annual Information Form, as well as copies of the Company's 2004 Annual Report and Management Information Circular may be obtained at www.sedar.com.

ANNUAL INFORMATION FORM

CANADIAN TIRE CORPORATION, LIMITED

Unless otherwise specified herein, the information in this annual information form is presented as at January 1, 2005.

1. Corporate Structure

1.1 Name, Address and Incorporation

Canadian Tire Corporation, Limited (the "Company" or "Canadian Tire", which terms refer to Canadian Tire Corporation, Limited, its predecessor corporations and all of its subsidiaries unless the context otherwise requires) was incorporated under the laws of the Province of Ontario by letters patent dated December 1, 1927 and is governed by the Business Corporations Act (Ontario). The Company was amalgamated with four of its wholly-owned subsidiaries pursuant to Articles of Amalgamation which became effective January 1, 1980. The Company's articles were amended effective December 15, 1983 to reorganize the capital of the Company, among other things. The registered and principal office of the Company is located at 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8.

1.2 Intercorporate Relationships

All of the subsidiaries of Canadian Tire are beneficially wholly-owned, either directly or indirectly, except that a limited partnership (of which Canadian Tire is the general partner) owns all of the limited voting preference shares of Canadian Tire Real Estate Limited ("CTREL"), which have a nominal value. The only subsidiaries of the Company whose total assets constitute more than 10 percent of the consolidated assets of the Company, or whose total sales and operating revenues constitute more than 10 percent of the consolidated sales and operating revenues of the Company are:

(a) Canadian Tire Financial Services Limited ("Financial Services"), which was continued under the laws of Canada and owns Canadian Tire Bank ("CTB"), which was incorporated under the laws of Canada;

(b) CTREL, which was incorporated under the laws of Ontario; and

(c) CTC Holdings Inc., which was incorporated under the laws of Vermont and owns CTC Capital Corp., which was incorporated under the laws of Delaware.

The business of each subsidiary and other entity under Canadian Tire's direction or control functions so as to contribute to the merchandising, financial and petroleum businesses carried on by the Company.

2. General Development of the Business

2.1 Three Year History

The general development of the Company's business during the past three financial years has been influenced by Canadian Tire's continued expansion of its core businesses, Canadian Tire Retail ("CTR"), Canadian Tire Petroleum ("Petroleum") and Financial Services and other retailing initiatives including PartSource stores. Also, in early 2002, Canadian Tire acquired Mark's Work Wearhouse Ltd. ("Mark's"), which operates as a separate business unit of the Company. During 2003, Financial Services' application for a bank charter was approved by the Office of the Superintendent of Financial Institutions and CTB began operations on July 1, 2003. CTB operates as a wholly-owned subsidiary of Financial Services and owns and operates the retail and *Options* MasterCard credit card and Canadian Tire personal loan businesses.

Set out below are highlights of developments in the businesses of the Company over the past three years.

2.1.1 *Strategic Plan*

Reference is made to Management's Discussion and Analysis (the "MD&A") on pages 45 to 53 of the Company's 2004 Annual Report for a discussion of the Company's strategic plan. The Company's 2004 Annual Report is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

2.1.2 *Store Improvement Program*

The purpose of CTR's store improvement program, which began in 1994, is to renew the Canadian Tire Associate Store network, in most cases by creating new-format stores. The Company has built 327 new-format Canadian Tire Associate Stores, most of which have replaced or expanded existing traditional stores. As a result, the Canadian Tire Associate Store network has increased by only 32 stores to 457 stores in total since the commencement of the store improvement program. In the years 2002, 2003 and 2004, the Company replaced or expanded its network of Canadian Tire Associate Stores by building 20, 19 and 18 stores respectively.

In 2000, the Company began to roll out its 'Next Generation' merchandising design concept that implemented accumulated learning about store productivity and customer values to provide an enhanced customer experience. The concept includes closer groupings of related products and departments, expanded assortments in key categories such as kitchen and hardware and more open sight lines and easier navigation throughout the stores. The Next Generation concept was implemented in all stores built in 2001 and 2002 as well as stores built in 2003 and 2004 except for four 'Concept 20/20' format stores built in 2003 and 15 Concept 20/20 stores built in 2004. The Next Generation concept is being phased out as virtually all planned new-format store projects will incorporate the Concept 20/20 format.

In 2003 the Company introduced its Concept 20/20 merchandising format and continued development of this format in 2004. The Concept 20/20 format includes an updated layout and new and expanded merchandise assortments, a customer care centre, new store signage and a revitalized exterior façade, and is designed to boost store sales by up to 20 percent in the first year following a conversion to the Concept 20/20 format. In 2003, the first four Concept 20/20 stores opened on a test basis in four distinct markets across Canada: Markham, Kitchener and Pembroke, Ontario and Prince George, British Columbia. Including the 15 Concept 20/20 stores built in 2004, there are 25 Concept 20/20 that are open for business.

2.1.3 *PartSource*

In the years 2002, 2003 and 2004, the Company opened three, six and eight new PartSource stores respectively to bring the total number of PartSource stores opened in Ontario and Western Canada to 47. With the addition of eight new stores in 2004, PartSource continues to improve its operations and grow overall sales.

2.1.4 *Automotive Infrastructure*

In 2003, CTR opened a new auto parts distribution centre in Vaughan, Ontario to complement the new distribution centres commissioned in Calgary, Alberta and Montreal, Quebec in 2002. Also in 2002, CTR signed a five-year agreement with UAP Inc. to share UAP's NAPA-branded technology and to supply Canadian Tire Associate Stores with slower moving parts inventory more efficiently. The parts covered by the agreement with UAP Inc. comprise about 15 percent of the Company's automotive hardparts business.

2.1.5 *Other CTR Initiatives*

In 2004, the Company introduced or continued from previous years certain other initiatives including 'exciting, new and exclusive products' ("ENE"), 'auto service' and 'E-Learning'. The ENE initiative is designed to improve the initial sales impact of innovative products when they are introduced. During 2004, over 44 new and innovative products were launched through the ENE speed-to-market program. The goal of the auto service initiative is to capture 10 percent of the Canadian automotive services market, to match CTR's share of automotive after-market services bays in Canada. The E-Learning initiative is intended to improve store staff product knowledge and confidence to better serve customers.

2.1.6 *Distribution*

The Company continued to invest in the development of 'CustomerLink', its multi-year supply chain upgrade program aimed at increasing supply chain capacity, improving productivity and allowing CTR to improve service levels for merchandise shipments to Canadian Tire Associate Stores. In January 2002, the Company opened a 500,000 square foot distribution centre in southeast Calgary, Alberta. This facility, which is operated by Genco Distribution System of Canada, Inc., has the capacity to ship more than 12 million cubic feet of product annually to over 150 Canadian Tire Associate Stores in Western Canada. This distribution centre is currently under expansion, and once complete will be 950,000 square feet in size with an annual product shipment capacity ranging from 24 to 29 million cubic feet. The CustomerLink initiative is on schedule and on budget, including a planned allowance for project contingencies. CTR has invested $261 million in CustomerLink and expects to spend another $16 million to complete the project.

Most of the CustomerLink improvements are currently operational in CTR's Calgary Distribution Centre in Calgary, Alberta and the A.J. Billes and Brampton Distribution Centres in Brampton, Ontario. The remaining components of CustomerLink will be completed in 2005, including the implementation of technology to improve distribution centre yard management, direct to store shipment processes and periodic order fulfilment. With CustomerLink fully implemented, management expects to reduce supply chain costs as a percentage of retail sales by approximately 1 percent of what they would have been had CustomerLink not been implemented.

2.1.7 *Mark's Work Wearhouse Ltd.*

In February 2002, the Company acquired all of the shares of Mark's for $110.8 million. Mark's is a chain of 333 stores across Canada that offer casual clothing and footwear for work and leisure and operates as a separate business unit of the Company. Mark's business focus, financial performance, growth strategy and management team made it a very attractive acquisition for Canadian Tire and the acquisition of Mark's has enhanced the Company's earnings. Mark's substantially completed implementation of the first phase of its 'superbranding' strategy in 2004, which includes many initiatives to elevate customer awareness, brand loyalty and market share.

2.1.8 *Petroleum*

In 2002, 2003 and 2004, Petroleum continued executing its growth plan, which included re-branding competitors' gas bar sites, opening new gas bar sites, building or acquiring car washes, retrofitting convenience stores to a new convenience store design and upgrading and building new kiosks.

Also during 2004, Petroleum completed the development of its new state-of-the-art gas bar and convenience store format called 'Q'. This convenience store format is larger than Petroleum's existing convenience stores, and is integrated with a gas bar and car wash and co-located with other key retail banners including Starbucks Coffee®, Richtree Markets and Sobeys. Petroleum opened two 'Q' stores in early 2005.

2.1.9 *MasterCard*

During the past three years Financial Services completed conversion of most remaining qualifying Canadian Tire retail card accounts to *Options* MasterCard accounts. As well, Financial Services increased its customer base by focusing on the generation of new customer accounts through Canadian Tire's low-cost in-store acquisition program, resulting in increased *Options* MasterCard accounts. Financial Services, through its wholly-owned subsidiary CTB, manages a portfolio of over 1.6 million active *Options* MasterCard accounts, an increase of 6.4 percent from a year earlier.

2.1.10 *Bank Licence*

During 2003, Financial Services' application for a bank charter was approved by the Office of the Superintendent of Financial Institutions and CTB began operations on July 1, 2003. CTB operates as a wholly-owned subsidiary of Financial Services and manages the retail and *Options* MasterCard credit card and the Canadian Tire personal loan businesses. Operating the credit card and personal loan businesses in CTB enables the Company to offer lending services consistently across the country. The pilot project for the Canadian Tire personal loan program was launched by CTB in June 2004, and has over 9,900 approved personal loans.

2.1.11 *Financing*

During March 2005, the Company's public medium term note program was continued for a further 25-month period under a shelf prospectus filed with the securities regulatory authorities in each province and territory of Canada. The Company has outstanding $1,075 million of medium term notes and debentures.

Early in 2004, the Company issued $200 million of 30-year medium term notes under the previous shelf prospectus. Management applied the proceeds of this transaction to the repayment of medium term notes that matured in 2004. This financing increases the average term of the Company's debt to more closely match the long-term life of its real estate assets. The Company obtained this 30-year financing at a rate of 6.32 percent. On February 25, 2005, the Company announced its intention to redeem $225 million in medium term notes due May 18, 2006. This redemption will occur on April 1, 2005.

Since 2003 CTB, and prior to that Financial Services, sold undivided co-ownership interests in a pool of credit card receivables (the "Receivables") to Glacier Credit Card Trust ("GCCT") (formerly Canadian Tire Receivables Trust). GCCT changed its name to Glacier Credit Card Trust on June 30, 2003 to comply with federal regulatory requirements for the formation of CTB. GCCT's recourse to CTB and Financial Services in connection with the Receivables is generally limited to its income earned on the Receivables and any contractual recourse it may have against those entities in connection with their obligations as "seller" and "servicer" or "sub-servicer" of accounts in the pool. GCCT's undivided co-ownership interest in the pool of Receivables is $2.21 billion. GCCT has outstanding $2.19 billion of Senior and Subordinated Asset-Backed Promissory Notes and $90 million of Asset-Backed Commercial Paper. GCCT is not owned or controlled by the Company, and as a result the financial statements of GCCT are not consolidated with those of the Company.

In November 2001, the Company formed a limited partnership for the purpose of raising $300 million of capital in relation to a portfolio of CTREL's retail properties. The Company is the general partner in this partnership. A third-party investor group invested $300 million in the partnership for a limited partnership interest with preferential rights to the distribution of income and capital. The partnership has an indefinite life, but can be liquidated in certain circumstances including those in which there are shortfalls in cash flows generated by the retail properties. Further information on the limited partnership is set out in Note 17 in the Notes to the Consolidated Financial Statements on page 103 of the Company's 2004 Annual Report.

The Company intends to continue to fund its growth through a combination of internal cash generation and accessing the public and private financial markets, as appropriate. In addition, CTB intends to sell additional credit card receivables to GCCT or other entities which will continue to finance the acquisition of such receivables by issuing securities to investors.

3. Description of the Business

3.1 Canadian Tire Retail

Canadian Tire Retail ("CTR"), a division of the Company, offers consumers approximately 100,000 stock-keeping units of auto parts and accessories, sports and leisure products and home products through Canadian Tire Associate Stores located throughout Canada. CTR supports Canadian Tire Associate Dealers ("Associate Dealers") with marketing, supply chain management, purchasing and administrative, financial and information services. Real estate and construction services required by the Company are primarily provided by CTREL. Associate Dealers are retailers who own the fixtures, equipment and inventory of the

Canadian Tire Associate Stores they operate. There are 457 Canadian Tire Associate Stores operated by 445 Associate Dealers.

A description of the various business functions of CTR, which include Marketing, Supply Chain, Store Support, Dealer Finance and CTR Human Resources, Real Estate and Construction, and a description of PartSource are set out below. Further information as to recent and proposed activities of CTR is included in the MD&A on pages 47 to 49 of the Company's 2004 Annual Report.

3.1.1 *Marketing*

The marketing functions of CTR encompass the selection and purchase of products and the planning and co-ordination of the presentation and offering of these products to the consuming public. The marketing division of CTR is engaged in a broad range of activities that includes the purchasing of products from domestic and international suppliers, inventory management, advertising and promotional programs, customer loyalty programs, market research and various ancillary marketing support services.

The products sold at Canadian Tire Associate Stores are primarily those of nationally known manufacturers or suppliers with which CTR generally has excellent relationships. Over 30 percent of retail sales at Canadian Tire Associate Stores are comprised of Canadian Tire-branded products, which include products marketed under brand names licensed by the Company. CTR proposes to launch additional products under such brand names in selected product categories during 2005. CTR's purchasing activities are centralized at its home office in Toronto except for buying offices maintained and operated by subsidiaries of the Company which assist CTR in the acquisition of products in markets outside Canada.

To achieve a high level of consumer acceptance of Canadian Tire products, CTR controls the products sold by the Associate Dealers and their related warranties and after-sale service policies and sets the maximum prices to be paid by consumers for such products. Consumer acceptance is also enhanced by the Associate Dealers' adoption of Canadian Tire concepts in merchandising, store fixturing and other operational procedures. In addition, the involvement of the Company in site selection, construction and maintenance and store planning has contributed significantly to the consistency of the presentation of the Canadian Tire image to the consumer.

In order to promote the sale of its products, CTR annually publishes and distributes in excess of 11 million copies of a merchandise catalogue printed in both English and French that offers customers a choice of shopping in store, online or by telephone. CTR, in conjunction with the Associate Dealers, builds customer awareness and traffic in Canadian Tire Associate Stores through weekly promotional flyers, electronic "flyers" distributed over the internet, radio, television, newspaper, magazine and internet advertising and event sponsorship. Although CTR engages an advertising agency to co-ordinate television advertising, all advertising initiatives and some advertising material originate within Canadian Tire.

The Company's electronic commerce web-site, www.canadiantire.ca, was launched in November 2000. As of March 2005, approximately 16,000 products were available on www.canadiantire.ca.

A unique feature of Canadian Tire's marketing program is the issuance of its well known Canadian Tire '*Money*' coupons, which are given to customers paying by cash, cheque or debit card at Petroleum outlets and Canadian Tire Associate Stores. The coupons are issued as a percentage of most cash purchases and may be used as a cash substitute for future purchases of merchandise and services at Canadian Tire Associate Stores. The Canadian Tire '*Money*' on the Card loyalty program provides Canadian Tire '*Money*' on the Card to holders of the *Options* MasterCard and the Canadian Tire retail credit cards based on purchases of merchandise and services at Canadian Tire Associate Stores and Petroleum outlets. For holders of the Canadian Tire *Options* MasterCard, Canadian Tire *'Money'* on the Card is also earned on world-wide purchases of goods and services at other places where MasterCard is accepted. Canadian Tire *'Money'* on the Card entitles the holders to redeem the *'Money'* on future purchases of merchandise and services at Canadian Tire Associate Stores.

3.1.2 *Supply Chain*

CTR's supply chain ("Supply Chain") is responsible for managing the flow of goods and information among approximately 2,300 sources of supply and 457 Canadian Tire Associate Stores across Canada, and to do this in a manner that achieves the highest level of service at the lowest possible cost**.** To accomplish these objectives, Supply Chain uses a number of distribution channels, facilities and modes of transportation. Supply Chain involves most aspects of product replenishment and product information flow at Canadian Tire.

Approximately 1,600 full-time equivalent employees are engaged in the physical distribution element of CTR's operations. During 2004, approximately 146 million cubic feet of merchandise were shipped to Canadian Tire Associate Stores by CTR.

Most of CTR's products are distributed to Associate Dealers from the A.J. Billes Distribution Centre, the Brampton Distribution Centre or the Calgary Distribution Centre. CTR also engages a third-party logistics company to provide distribution capability in Montreal, Toronto and Calgary. In addition, CTR from time to time utilizes additional distribution centre space that it owns or leases. To support growth, CTR opened two auto parts distribution centres during 2002 (in Calgary and Montreal) and an additional auto parts distribution centre in Vaughan, Ontario in 2003. CTR also signed a five-year parts and technology agreement with UAP Inc. in 2002 to supply Canadian Tire Associate Stores with emergency auto parts that are not normally in-stock items. During 2002 and 2003, CTR closed 16 Express Auto Parts depots across Canada. CTR continues to operate Express Auto Parts depots at three locations in Canada to provide overnight order processing six nights per week to all Canadian Tire and PartSource stores. Depending upon store location, these auto parts orders are delivered between 24 and 96 hours from receipt of an order.

The A.J. Billes Distribution Centre, which became operational in 1991, is located in Brampton, Ontario and occupies an area of 1.2 million square feet. The facility includes a computer controlled pick-to-conveyor sortation system using bar code identification, a computer-driven, facility-wide in-floor towline system with radio frequency identification and tracking of carts, an automated storage and retrieval system and a computerized carousel system that simplifies the picking of products.

The Brampton Distribution Centre, which is located in Brampton, Ontario, employs modern techniques in materials handling and at 1.4 million square feet is one of the largest facilities of its kind in Canada. The centre has interrelated processing areas for efficient flow of pallet loads and bulk product through receiving, picking and shipping functions.

In January 2002, CTR opened the Calgary Distribution Centre, a 500,000 square foot distribution facility in southeast Calgary, Alberta. The site has the capability to ship more than 12 million cubic feet of product annually to over 150 Canadian Tire Associate Stores in Western Canada, and receives product directly from manufacturers and distributors from across Canada, the United States and Asia. The distribution facility also enables CTR's supply chain to efficiently handle the increased volume of products that CTR's growth strategies are expected to generate while improving service to customers. The site is currently under expansion and once complete the distribution facility will be 950,000 square feet in size with an annual product shipment capacity ranging from 24 to 29 million cubic feet. The expansion is expected to be completed in 2006.

Over the six-year period ending January 1, 2005, the Company invested $261 million of the planned $277 million in its CustomerLink strategy. Approximately 40 percent of this investment included construction of the Calgary Distribution Centre, as well as re-configuration of the two distribution centres in Brampton, Ontario. Approximately 60 percent of the investment involved the development, licensing and implementation of supply-chain technology that enables multi-channel distribution and regional replenishment capabilities. The multi-channel distribution technology is enabled in the Calgary, A.J. Billes and Brampton Distribution Centres. The regional replenishment capabilities are deployed at all distribution centres including the third-party distribution facilities engaged by CTR in Montreal and Toronto. A substantial improvement to the technology that supports our direct ship multi-channel distribution capabilities will be deployed by the end of 2005. The CustomerLink investment will have enabled the Company to increase its shipping capacity from 123 million cubic feet in 2001 to 166 million cubic feet by the end of 2005 (a 35 percent increase), and is expected to cause product handling, inventory carrying and transportation costs as a percentage of sales to be reduced by approximately 1 percent of what they would have been had CustomerLink not been implemented.

To facilitate the prompt distribution of its products, Canadian Tire owns or leases approximately 2,970 trailers, 440 chassis and 1,250 intermodal containers. The Company expects to take delivery of an additional 500 chassis and 1,000 intermodal containers in 2005. CTR uses various modes of transportation including common carriers and railway transit to co-ordinate inbound and outbound deliveries on a timely basis throughout its network.

3.1.3 *Store Support, Dealer Finance and CTR Human Resources*

CTR has assumed the functions of the Company's former Dealer Operations group, and in so doing, CTR has divided these functions among a number of internal departments. Dealer Finance, a group within CTR Finance and Administration, is now responsible for monitoring both the operational and financial performance of Associate Dealers. In addition, Dealer Finance manages Associate Dealer changeovers as well as the Associate Dealer mobility system. CTR's Store Support group functions as a bi-lateral communications hub between CTR and Canadian Tire Associate Stores. Store Support has developed "best practices" for general merchandising, automotive and garden programs for

Canadian Tire Associate Stores, and works closely with Associate Dealers to improve store performance. Dealer Selection and Development is now a department within CTR Human Resources, and is responsible for sourcing, selecting, developing and training new Associate Dealers.

Further information concerning Associate Dealers is set out under the heading "Canadian Tire Associate Stores and Associate Dealers" on page 11.

3.1.4 *PartSource*

PartSource stores are franchised stand-alone stores that offer brand-name auto parts targeted to medium to heavy do-it-yourselfers, automotive enthusiasts and commercial installers who do not typically frequent a Canadian Tire Associate Store for their automotive needs. PartSource stores are typically 7,300 square feet in size and offer a selection of approximately 15,000 brand name auto parts and accessories with access to tens of thousands of additional products generally available on a same-day basis. PartSource stores are conveniently located, feature competitive pricing and are staffed by expert auto parts professionals and licensed automotive technicians. Convenient shopping hours are offered to meet customer needs. Product assortment at PartSource stores is tailored to regional variations in ages and types of vehicles. PartSource stores also feature many value-added services such as loan-a-tool programs, brake drum and rotor turning and "look-up" systems to locate make/model-specific repair instructions.

The Company opened eight new PartSource stores in 2004, bringing to 47 the number of these stand-alone specialty stores in operation. During 2004, PartSource added incremental business, in particular with commercial customers, through PartSource's comprehensive product range of national brands, emergency parts sourcing and delivery, and specialized, knowledgeable staff in PartSource stores.

3.1.5 *Real Estate and Construction*

Commencing in the late 1950s, as the cost of suitable premises became too great for most new Associate Dealers to finance on their own, the Company became increasingly involved in the ownership and leasing of premises which in turn are licensed to Associate Dealers. The premises occupied by 445 of the 457 Canadian Tire Associate Stores, including all of the newer and larger stores, are licensed by the Company to Associate Dealers. The remainder are owned by Associate Dealers or leased by them from third party lessors. Of the premises licensed to Associate Dealers by the Company, the Company owns 347 and leases 98 from third parties.

The Company is involved in many aspects of the establishment of premises used for Canadian Tire Associate Stores, PartSource stores, Petroleum outlets and Mark's stores. These functions include the identification and leasing or acquisition of real estate suitable for new, replacement or expanded stores, the design and development of stores, property management and maintenance of completed stores and various accounting and administrative matters related to the ownership and leasing of the premises. The Company acquires most new real property upon which Canadian Tire Associate Stores are built. The Company also undertakes the sale, lease, or redevelopment of property that it owns when such property is identified as surplus to the Company's needs.

3.2 Mark's Work Wearhouse Ltd.

The Company's wholly-owned subsidiary, Mark's, is one of the largest specialty retailers in Canada, offering primarily men's and ladies' clothing, footwear and accessories for casual, business casual and industrial work environments, as well as for recreational use or relaxation. Mark's is a market leader in the retailing of men's industrial apparel and industrial footwear, and is a significant presence in the retailing of men's casual apparel and footwear. Mark's also offers assortments of health care industry and business-to-business apparel. Mark's has established private labels including WindRiver, Denver Hayes and Dakota that boast market shares in excess of many national brands. Mark's operates 317 stores under the Mark's ("L'Equipeur" in Quebec) banner and 16 stores under the Work World banner.

During 2004, in six small market locations in western Canada and Ontario, Mark's and CTR tested combination stores with a Mark's store and a Canadian Tire Associate Store under one roof. In these test stores, an Associate Dealer operates the Canadian Tire Associate Store and Mark's operates its outlet as a corporate store to create a one-stop shopping experience for hard goods, apparel and footwear. The objective of these combination stores is to bring the high customer traffic of a Canadian Tire Associate Store directly to a Mark's store and to lower on-site construction costs when both stores conduct business in the same location.

3.3 Petroleum

Petroleum is responsible for the operation of 253 retail gas bars located in nine provinces, 129 of which are in Ontario and 58 of which are in Quebec. Of these locations, 13 include separate facilities for lubrication services, 58 include car washes and 74 supply propane directly to customers. Petroleum outlets also sell convenience products to the public.

All of Petroleum's gas bars, except 'Q' stores, are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo.

In keeping with CTR's new-format image, Petroleum is in the process of upgrading, replacing and expanding its network of outlets. Petroleum opened 11 new car washes in 2004, bringing the total number of car washes to 58. Five of these sites were acquired as a result of Petroleum's re-branding initiative. Petroleum plans to open at least five car washes in 2005.

"Re-branding" is the conversion of a competitor's gas bar and kiosk to the Canadian Tire brand. During 2004, Petroleum re-branded 21 competitor gas bars, and intends to re-brand approximately 15 to 20 additional sites in 2005. This initiative will build upon Canadian Tire's customer value proposition and Petroleum's industry-leading customer traffic count to help drive higher gasoline volumes at these sites and contribute to the earnings of this business.

In 2004, Petroleum added 24 new convenience stores, 18 of which were through the re-branding initiative. In addition, Petroleum closed five stores. There are a total of 241 convenience stores at the 253 gas bars operating under the Canadian Tire banner. Twelve of the Canadian Tire gas bars are paired with owner-operated convenience stores and have not been counted under the Canadian Tire banner. In 2005, Petroleum plans to open a convenience store at each new gas bar location.

During 2004, Petroleum continued to focus on enhancing its margins by executing strategies geared to increase car wash and convenience store sales as a proportion of Petroleum's total sales. In addition, a gas and grocery products cross-promotion was implemented with Sobey's Inc. in Ontario during 2004. This cross-promotion was designed to increase overall traffic at Petroleum sites as well as gasoline and convenience sales.

The 2004 results of these growth initiatives included a 20.5 percent increase in car wash sales, a 21.6 percent increase in convenience store sales and an increase in gasoline sales volume of 44 million litres over 2003.

Further information concerning Petroleum's strategy is included in the MD&A on pages 51 to 52 of the Company's 2004 Annual Report.

3.4 Canadian Tire Financial Services Limited and Canadian Tire Bank

Financial Services markets a variety of products to Canadian Tire customers, including the *Options* MasterCard, the Canadian Tire retail card, the Canadian Tire personal loan, a Canadian Tire-branded line of credit, accident, creditor and life insurance and extended warranties. In addition the Canadian Tire Commercial Link MasterCard is offered to Canadian Tire customers under an agreement with Bank of Montreal. Financial Services also offers an emergency roadside assistance program to Canadian Tire customers under the name "Canadian Tire Auto Club" and for third-party clients under the name "Professional Dispatch Group". Some of these products are offered as a complement to holders of Canadian Tire credit cards. Financial Services' products that are offered to Canadian Tire customers are offered through its in-store acquisition program and customer call centre and by direct mail, as well as through Canadian Tire's web site.

CTB operates as a wholly-owned subsidiary of Financial Services and manages the *Options* MasterCard and retail credit card businesses. The *Options* MasterCard portfolio includes over 1.6 million active accounts, and receivables on those cards exceed $2.7 billion.

CTB also manages the Canadian Tire personal loan business and has approved over 9,900 personal loans.

Information concerning Canadian Tire '*Money*' on the Card is set out under the heading "Marketing" on page 6.

3.5 Canadian Tire Associate Stores and Associate Dealers

Fundamental to the success of the Company are Canadian Tire Associate Stores, which are well-known retail outlets and automotive service centres. Canadian Tire Associate Stores are easily identified by the Canadian Tire name and trade-mark and have established a strong reputation and high recognition throughout the communities served. Substantially all Canadian Tire Associate Stores contain service bays for automobiles which provide a significant revenue source for Associate Dealers as well as an outlet for auto part sales. The Company has attempted to create a distinctive image for Canadian Tire Associate

Stores, that of retailers offering a balanced and interesting assortment of many staple and seasonal automotive, sports and leisure and home products.

The contractual arrangement between the Company and individual Associate Dealers permits Associate Dealers to own and operate the retail business of Canadian Tire Associate Stores under the Canadian Tire name. In order to provide controls on the quality, range and price of products and services offered at Canadian Tire Associate Stores, each Associate Dealer agrees to purchase merchandise primarily from the Company and to offer merchandise for sale at prices not exceeding those set by the Company. Each Associate Dealer agrees to exert his or her best efforts personally to ensure the operation of the Canadian Tire Associate Stores at its maximum capacity and efficiency and that he or she will comply with the policies, marketing plans and operating standards prescribed by CTR. These obligations are specified under Associate Dealer contracts, which expire at various times for individual Associate Dealers.

During 2004, the Company reached an agreement with representatives of its Associate Dealers on the form of contract that will be signed by the individual Associate Dealers. The financial terms of the new contract became effective at the beginning of the third quarter of 2004. The terms of the contract extend for 10 years and provide for a review of major financial terms at the end of five years. The new contract provides important strategic, financial and operational changes intended to benefit CTR's earnings and to enable the Associate Dealers to grow their businesses. The new contract provides enhanced clarity and specificity to the rights and obligations of the arrangements between the Company and the Associate Dealers. In particular the new contract clarifies the rights of an Associate Dealer when the Company closes or relocates a store and the extent to which the Company can compete with an Associate Dealer through the introduction of new Canadian Tire Associate Stores, PartSource stores or other businesses that have a significant overlap with the Associate Dealer's business. The obligations of Associate Dealers in connection with the operation of their Canadian Tire Associate Stores and processes by which Associate Dealers are evaluated have been made clearer and more precise. The new contract also specifies how disputes between Associate Dealers and the Company are to be resolved. The new contract gives an Associate Dealer the right to remain an Associate Dealer until retirement, subject to compliance with the contract and the policies of the Company.

A policy of the Company is to offer new Associate Dealers smaller Canadian Tire Associate Stores and, based upon successful operation of their Canadian Tire Associate Stores, to offer them larger locations from time to time pursuant to the Associate Dealer mobility system. This policy provides an advancement opportunity for Associate Dealers and therefore tends to encourage them to strive for superior performance. The Canadian Tire Associate Store concept combines the flexibility of an independent business with the advantages of a central marketing and purchasing organization.

The combined experience of Associate Dealers provides individual Associate Dealers, directly or through the Company, with a valuable source of assistance and guidance in all phases of store operations. Also, by combining their efforts, a number of Associate Dealers with the same objectives or issues are often able to conduct programs, study issues and undertake expenditures not practicable on an individual basis.

The number of Canadian Tire Associate Stores by Province and Territory is indicated below.

Province or Territory	**Number of Canadian Tire Associate Stores**
British Columbia	50
Alberta	39
Saskatchewan	12
Manitoba	15
Ontario	196
Quebec	92
New Brunswick	17
Nova Scotia	20
Prince Edward Island	2
Newfoundland	12
Yukon	1
Northwest Territories	1

The retail selling space of Canadian Tire Associate Stores ranges from approximately 3,000 square feet to approximately 84,000 square feet. At the end of 2004, the total area of retail space for all Canadian Tire Associate Stores was approximately 14.2 million square feet.

3.6 Information Technology

The Company's Information Technology department provides systems development and support to the major functional areas of the Company, Associate Dealers, Express Auto Parts depots and distribution centres. The various Information Technology groups within Canadian Tire are consolidated, with the exception of the Information Technology departments servicing Financial Services, PartSource and Mark's. Consolidation of these groups provides economies of scale and planning capabilities to assist Canadian Tire in using information technology to improve the Company's position in the marketplace.

For many years, the Associate Dealers have utilized point-of-sale scanners and terminals linked to in-store minicomputers. These systems provide online access to store inventories and prices and several years of history about each stock-keeping unit. The point-of-sale system is used to process credit card and debit card transactions, provide detailed information about buying patterns of Canadian Tire customers and analyze the effect of merchandising programs. This information is also being used in conjunction with the Canadian Tire *'Money'* on the Card loyalty program. The in-store system provides information which enables Associate Dealers to maximize sales and margins and monitor service levels and costs. Automatic orders are calculated and transmitted to Canadian Tire over a communications network which also sends new product and price data from Canadian Tire to Associate Dealers.

Canadian Tire's information systems are a complex set of integrated systems which process orders, monitor inventories and handle the distribution and transportation of goods across the supply chain. The Company continues to make progress in the design and implementation of powerful analytical capabilities to assist the buying and logistics functions. Business processes have been examined and redefined to make more efficient use of the information provided from Canadian Tire Associate Stores. Significant changes to the

Company's technology systems and software continue to be implemented so as to achieve the desired functions and processes, which are key to future cost improvements.

3.7 Employees

The numbers of full-time and part-time employees (excluding seasonal temporary help) of CTR (including employees who support the consolidated business), Financial Services, Petroleum and Mark's are as follows:

	Full-Time Employees	Part-Time Employees
CTR	3,230	128
Financial Services	1,181	304
Petroleum	61	5
Mark's	1,088	2,927

These employees together with Associate Dealers, Petroleum agents, PartSource franchisees and Mark's franchisees and their employees, number in excess of 48,000.

3.8 Business Development Initiatives

For information about business development initiatives reference is made to page 53 of the MD&A in the Company's 2004 Annual Report.

3.9 Competitive Conditions

3.9.1 *Canadian Tire Retail*

CTR supports many aspects of the operation by Associate Dealers of Canadian Tire Associate Stores which compete against both national and regional retailers in all major markets across Canada. There is no one organization or type of business that competes directly with all business segments of Canadian Tire Associate Stores, although several competitors are in one or more of the business segments in which the stores operate. These competitors include department stores, discount stores and specialty marketers of hardware, paint and paint supplies, sporting goods, building supplies and seasonal products, including a number of high-volume retailers. Additional competitors include auto parts suppliers and automotive service outlets such as car dealerships and service station operators.

Canadian Tire Associate Stores hold strong market share positions in many of the product categories in which they do business, with particular strength in automotive and hardware lines and certain seasonal and sporting goods categories. On a geographic basis, the market share of the stores is strongest in Central and Eastern Canada with greater share growth opportunity in the Western Provinces and Quebec.

Competitors of PartSource include several national and regional auto parts retailers and distributors. PartSource is competing on the basis that it has a unique price, product and service offering to its particular target markets.

A number of initiatives designed to maintain and enhance the competitive position of CTR are described in the MD&A on pages 47 to 49 of the Company's 2004 Annual Report under the heading "Canadian Tire Retail (CTR)".

3.9.2 *Mark's Work Wearhouse Ltd.*

Mark's is one of the largest retailers in Canada for work, safety and industrial apparel and footwear, and competes against many retailers of casual and business casual apparel and footwear. These retailers include department stores, discount stores, sporting goods outlets and other specialty apparel stores, many of which are large U.S. or internationally based retailers. Mark's has addressed the challenges of this competition by continually developing and introducing new products to enhance product selection for its customers, by offering products across all price points and by offering its customers different shopping locations in power centres and strip malls.

A number of initiatives designed to maintain and enhance Mark's competitive position are described in the MD&A of the Company's 2004 Annual Report on page 50 to 51 under the heading "Mark's Work Wearhouse".

3.9.3 *Petroleum*

Changes in the pre-tax earnings of Petroleum result primarily from gasoline sales volume, costs and margins. Petroleum sells approximately twice as much gasoline per site as the Canadian industry average, primarily because of the attractiveness of the Canadian Tire *'Money'* and Canadian Tire *'Money'* on the Card loyalty programs. Customer traffic is also positively impacted by the success of Petroleum's cross-merchandising programs with Canadian Tire Associate Stores and Sobey's Inc. stores in Ontario, and the quality of Petroleum's customer service. Petroleum's contribution to the Company's growth is very dependent upon its gasoline margin, which represented approximately 75 percent of Petroleum's total margins in 2004. While the continual price and cost volatility of gasoline makes both revenue and earnings hard to predict in the short term, Petroleum has adopted strategies to increase volume and tighten cost controls in order to improve earnings over the long term. Petroleum's low-cost operating model for gas bar operations (consisting of industry-standard agent-operated gas bar sites and Canadian Tire's extensive infrastructure in advertising and real estate) is a key element of Petroleum's initiatives to increase its network of high-volume efficient gas bars. In addition, current fuel supply agreements ensure access to industry-standard fuel at a favourable acquisition cost.

A number of initiatives designed to maintain and enhance the competitive position of Petroleum are described in the MD&A of the Company's 2004 Annual Report on pages 51 to 52 under the heading "Canadian Tire Petroleum".

3.9.4 *Canadian Tire Financial Services Limited and Canadian Tire Bank*

The *Options* MasterCard issued by CTB competes with other general purpose credit cards issued by banks and other financial institutions. The *Options* MasterCard loyalty program (Canadian Tire '*Money*' on the Card) rewards customers for using the *Options* MasterCard everywhere that MasterCard is accepted and provides additional rewards when used at Canadian Tire Associate Stores and Petroleum's gas bars. The Canadian bankcard market size is over $50 billion in outstanding receivables and has grown at an average rate of 11 percent annually for the last three years. The *Options* MasterCard currently has approximately a 5 percent share of this growing market. Growth in average balances of the

Options MasterCard portfolio as well as the development of additional MasterCard card offerings will potentially increase our share of the Canadian bankcard market.

The Canadian Tire personal loan competes with other personal loan products issued by banks and other financial institutions, and is issued on terms and conditions that are competitive with such personal loan products. In its initial phase the personal loan product is targeted at current *Options* MasterCard customers. The Canadian personal loan market measured in outstanding receivables exceeds $50 billion.

Financial Services sponsors the offer of a number of insurance and warranty products to Canadian Tire customers. As a result of its strong customer service and in-store customer acquisition channels, Financial Services has achieved leading positions in terms of customer retention rates and percentage of credit card customers enrolled in insurance and warranty products. These traditional relationships serve to strengthen overall customer loyalty to Canadian Tire.

A number of initiatives designed to maintain and enhance Financial Services' competitive position are described in the MD&A of the Company's 2004 Annual Report on page 53 under the heading "Canadian Tire Financial Services".

3.10 Cycles of Canadian Tire Retail and Mark's Work Wearhouse Ltd.

The Company experiences some fluctuations in revenues with the strongest results in the second and fourth quarters, primarily due to the timing of CTR's and Mark's strongest seasonal merchandise offerings. In addition, the fourth quarter is becoming increasingly important to the Company's consolidated results due to the concentration of Mark's sales and earnings in that quarter and special fourth quarter sales promotions for CTR and Mark's.

3.11 Environmental Protection

Canadian Tire has established procedures for environmental management and compliance. Environmental protection requirements related to the business of Canadian Tire do not have and are not expected to have a significant financial or operational effect on the capital expenditures, earnings or competitive position of Canadian Tire during the current year or in future years.

3.12 Intangible Properties

Canadian Tire has established procedures necessary to protect trade-marks which are material to the business carried on by it, including the name Canadian Tire, the symbol associated with that name and a number of trade-marks identified with Canadian Tire's retail brand products. Protection of the Canadian Tire name and associated symbol is highly important to Canadian Tire. Other trade-marks and intellectual property rights associated with Canadian Tire's retail brand products, Petroleum, PartSource and Mark's are considered to be important assets of Canadian Tire and are defended vigorously where appropriate.

Canadian Tire owns a number of domain names, many of which are used in connection with its electronic commerce business.

CTB has a license agreement with MasterCard International that permits CTB to use the MasterCard trade name in connection with its *Options* MasterCard credit card business.

Financial Services has entered into an agreement pursuant to which Bank of Montreal issues commercial credit cards under the Canadian Tire Commercial Link MasterCard program. The trade marks of Canadian Tire and MasterCard International are used under licence by Bank of Montreal in connection with the program.

3.13 Changes to Contracts

During 2004, the Company reached an agreement with representatives of its Associate Dealers on the form of contract that will be signed by the individual Associate Dealers. The financial terms of the new contract became effective at the beginning of the third quarter of 2004. The terms of the contract extend for 10 years and provide for a review of major financial terms at the end of five years. The new contract provides important strategic, financial and operational changes intended to benefit CTR's earnings and to enable the Associate Dealers to grow their businesses.

Canadian Tire and Imperial Oil have reached an agreement on a six-year fuel supply contract effective January 1, 2005, whereby Imperial Oil will supply the majority of Canadian Tire's fuel needs.

3.14 Foreign Operations

There are no material risks associated with the Company's foreign operations. No business segment of the Company is dependent in any material respect upon foreign operations.

3.14.1 *Canadian Tire Retail*

Canadian Tire Retail sources approximately 30 to 35 percent of its products from vendors in Asia and this sourcing is expected to increase over the next three years. CTR uses internal resources and third party logistics providers to manage supply chain technology and the movement of goods from suppliers in Asia to the Company's Canadian distribution centres. Like other retailers who source products internationally, CTR manages risks associated with foreign supply which can include, but are not limited to, currency fluctuations, the stability of manufacturing operations in other countries and transportation and port disruptions. The Company is confident that its business practices are appropriate to mitigate these risks.

CTR has certain funding dependencies on wholly owned subsidiaries of the Company operating in the United States. These dependencies are not a material risk to the Company.

3.14.2 *Mark's Work Wearhouse Ltd.*

Mark's sources approximately 40 to 45 percent of its merchandise from vendors outside of North America, and mostly from Asia. Mark's engages the same third party logistics providers as CTR to manage transportation services for most of the product sourced by Mark's in Asia. As with CTR, the Company is confident that Mark's business practices are appropriate to mitigate risks associated with supply from Asia. In addition, Mark's has the capacity to source comparable merchandise from alternate areas including Mexico and Western Europe as well as from domestic and U.S. manufacturers if necessary.

3.14.3 *Canadian Tire Financial Services Limited and Canadian Tire Bank*

Financial Services engages Acxiom Corporation for data warehousing and Total Systems Services, Inc. for data processing functions. Both of these companies are based in the United States. Total Systems Services, Inc. is required by contract to have in place disaster recovery services in the event of a systems failure.

Financial Services owns a Bermuda resident reinsurance company ("CTFS Bermuda") which is regulated by the Bermuda Monetary Authority. CTFS Bermuda has entered into reinsurance agreements with two international insurers with significant operations that offer insurance products to Canadian Tire customers. These reinsurance arrangements permit Financial Services to participate in the premium income earned on certain Canadian Tire-branded insurance products. Management of CTFS Bermuda has retained established, reputable actuarial and administrative service organizations to assist in the evaluation and management of risk associated with CTFS Bermuda's reinsurance portfolio, and the Company is of the view that this risk is appropriately managed.

3.15 Economic Dependence

CTB relies upon its agreement with MasterCard International that permits CTB to use the MasterCard trade name in connection with its *Options* MasterCard credit card business. The agreement with MasterCard International commenced on November 19, 2003 and has a 10-year term. In addition CTB relies on a long-term contract with Total Systems Services, Inc. to provide transaction processing services for its credit card business.

Petroleum substantially relies upon its agreement with Imperial Oil for the supply of fuel for retail sale at Petroleum's gas bars.

3.16 Lending

The Company arranges for short term loans to, from and between its subsidiaries at market rates.

The Company's short term investments are restricted to Canadian and U.S. government-guaranteed securities and high quality commercial paper, money market funds and preferred shares.

CTB's credit card lending activities in connection with the Canadian Tire retail card and *Options* MasterCard are governed by risk management policies and systems that use customer credit behaviour information to assign credit limits. The credit card customer base is well diversified and limits for exposure to geographic areas have been established. CTB also has similar risk management policies and systems in place for the Canadian Tire personal loan business.

3.17 Social or Environmental Policies

Canadian Tire believes that good corporate citizenship through community support is core to the Company's culture. Enhancing the communities within which the Company’s employees work and live is in keeping with long-term corporate objectives. Annually, the Company allocates funds for social investments. A corporate donations policy is in place to guide the allocation process. The Company gives to a variety of social causes but the largest single beneficiary is the Canadian Tire Foundation for Families (the “Foundation”). Established in 1992, and whose mandate was substantially changed in 1999, the Foundation is an independent charitable organization which raises funds from the Company, Associate Dealers and the public with the assistance of Canadian Tire's inter-related network of businesses and disburses funds under a mandate of helping families when they need it most by providing the basic necessities of life: food, shelter, clothing and essential goods. In 2004, the Foundation extended its mandate through the introduction of the Canadian Tire JumpStart™ program which helps disadvantaged children participate in sport and recreational activities. The implementation of the Canadian Tire Donations Policy is the responsibility of the Senior Vice-President of Corporate Affairs and is governed by the Social Responsibility and Risk Governance Committee of the Board of Directors.

Canadian Tire has in place a structure for effective communication between the Company, its stakeholders and the public; the Corporate Affairs Department. The Corporate Affairs Department is responsible for maintaining effective communication with employees, media, investors, governments and other special stakeholders. As part of its responsibilities, the Corporate Affairs Department is responsible for the implementation and monitoring of the Company's Supplier Code of Business Conduct.

The Supplier Code of Business Conduct sets out the principles and practices of ethical business practice that the Company expects of its suppliers of goods and services as well as specific expectations regarding the workplace standards and business practices of its suppliers. The Code incorporates many international labour standards including working hours, human rights, discrimination and forced labour, safe and healthy work environments, environmental protection among other concerns such as unlawful payments. Officers of the Company responsible for business units or corporate support groups are responsible for ensuring that they obtain the certification to Code requirements from each of the suppliers with whom they do business. Compliance with the code is monitored through periodic assessments of suppliers, including third-party audits where appropriate. Oversight responsibility for the Supplier Code of Business Conduct has been delegated by the Board of Directors to the Social Responsibility and Risk Governance Committee.

Maintaining a high standard of performance with respect to environment, health and safety (“EHS”) is considered by the Company to be a fundamental obligation and necessary to the health and well-being of all stakeholders. The Company has in place an EHS policy and an EHS system to ensure ongoing compliance with regulations and consistent application of programs and policies across the organization. The Company has in place an effective structure to manage EHS matters led by a Director of Compliance with oversight governed by the Social Responsibility and Risk Governance Committee.

Canadian Tire has implemented its EHS policy through several initiatives. For example, the Company has actively participated in developing product stewardship programs in connection with products it sells. During 2004, these efforts included participating in Ontario government initiatives on recycling used oil, filters and containers, recycling scrap tires and Blue Box funding. In Quebec, the Company participated in developing a training program in connection with retail pesticide sales and a program to provide funding for packaging and printed material recycling.

In 2004, the Company also worked to improve the availability of product safety information for chemical products it sells by launching web-based access to Material Safety Data Sheets ("MSDS") replacing the MSDS Faxback service. Within six months of commencing this web-based access, over 5,500 MSDS have been accessed on-line.

Also in 2004, the Company retained environmental consultants, Jacques Whitford Environment Limited, to conduct an EHS management system and regulatory compliance audit of a number of the Company's business units, and took steps to address audit findings that required remediation.

Further highlights from the Company's EHS efforts include the diversion of over eighty percent of waste from landfill at the Company's distribution operations in Brampton through comprehensive reuse and recycling programs for pallets, cardboard and other products, establishing an Energy Conservation Committee to address energy conservation opportunities across the Company, supporting 10 environmental projects in communities across Canada through the annual Canadian Tire Community Environmental Awards program and hosting a tour at the Company's distribution centres for over thirty-five member corporations of the Canadian Manufacturers and Exporters' to showcase Canadian Tire's industry-leading EHS practices.

3.18 Risk Factors

For information about the risk factors related to the Company and its business reference is made on pages 73 to 77 of the MD&A in the Company's 2004 Annual Report.

3.19 Reorganizations

On June 30, 2003, Financial Services transferred its retail credit card and *Options* MasterCard business to CTB. CTB commenced operations on July 1, 2003.

4. Dividends

Dividends are declared at the discretion of the Board of Directors of the Company after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. During the ten years up until June 1, 2004, the Company paid quarterly dividends on each of its outstanding Class A Non-Voting Shares and Common Shares in the amount of $0.10 per share.

On February 12, 2004, the Company announced a new policy to maintain dividend payments equal to approximately 15 to 20 percent of the prior year's normalized basic net earnings per share, after giving consideration to the period-end cash position, future cash flow requirements and investment opportunities. Normalized earnings are considered by the Company to exclude gains and losses on the sales of credit card receivables and other non-recurring items, but to include gains and losses on the sale of property and equipment.

Based on the new policy, and reflecting management's increasing confidence in the Company's ability to sustain earnings growth over and beyond the life of the Company's strategic plan, the Company paid quarterly dividends of $0.125 per share on June 1, September 1 and December 1, 2004 and on March 1, 2005. On February 10, 2005 the Company declared a 16 percent increase in the annual dividend payment rate from $0.50 per share to $0.58 per share. The increase takes effect June 1, 2005 for shareholders of record as of April 29, 2005.

Trust indentures dated May 10, 1990 and June 4, 1993 pursuant to which the Company issued 12.10 percent debentures due May 10, 2010 and medium term notes due at various dates to 2034**,** respectively, contain restrictions on the ability of the Company to declare and pay dividends. The financial position of the Company is such that these restrictions do not practically limit the payment of dividends by the Company at this time.

5. Description of Capital Structure

5.1 General Description of Capital Structure

Reference is made to the MD&A on pages 65 to 67 of the Company's 2004 Annual Report for a discussion of the Company's capital structure.

5.1.1 *Material Characteristics of Common Shares*

The holders of Common Shares of the Company are entitled to vote on the election of thirteen of the sixteen directors to be elected at the annual meeting of shareholders of the Company, on the appointment of Auditors, and on any other business that may come before the meeting.

Each Common Share carries one voting right. In addition, each holder of a Common Share is entitled to have all or any number of the Common Shares held by them converted into Class A Non-Voting Shares on the basis of one Class A Non-Voting Share for each Common Share.

5.1.2 *Material Characteristics of Class A Non-Voting Shares*

The holders of Class A Non-Voting Shares of the Company are entitled to vote at the annual meeting of shareholders of the Company on the election of three of the sixteen directors to be elected at the meeting. Each Class A Non-Voting Share carries one voting right. With the exception of the entitlement to vote for the election of directors and entitlement to vote as provided under applicable law, the holders of Class A Non-Voting Shares are not entitled as such to vote at any meeting of shareholders of the Company. However, the articles of the Company provide that in the event an offer to purchase Common Shares is made to all or substantially all of the holders of Common Shares (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions) and a majority of the Common Shares then issued and outstanding are tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon be entitled to one vote per share at all meetings of shareholders and thereafter the Class A Non-Voting Shares will be designated as Class A Shares.

The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Company. Reference should be made to the Company's articles for a full statement of such conditions.

5.1.3 *Additional Dividend Rights*

When fixed cumulative preferential dividends aggregating one cent per share per annum have been paid or declared and set apart for payment on all of the outstanding Class A Non-Voting Shares in respect of the current year and each preceding year and a non-cumulative dividend aggregating one cent per share per annum has been paid on all outstanding Common Shares in the current year, any and all additional dividends, including stock dividends or other distributions to shareholders, will be paid or declared and set apart for payment or otherwise distributed in equal amounts per share on all Class A Non-Voting Shares and all Common Shares at the time outstanding without preference or distinction or priority of one share over another. Information concerning the Company's dividend policy is set out under the heading "Dividends" on page 20.

5.1.4 *Rights Upon Liquidation, Dissolution or Winding-Up*

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, all of the property of the Company available for distribution to the holders of the Class A Non-Voting Shares and the Common Shares shall be paid or distributed equally share for share, to the holders of the Class A Non-Voting Shares and to the holders of the Common Shares without preference of distinction or priority of one share over another.

5.1.5 *Change in Class A Non-Voting Shares and Common Shares*

Except as provided above, neither the Class A Non-Voting Shares nor the Common Shares shall be changed in any manner whatsoever whether by way of subdivision, consolidation, reclassification, exchange or otherwise unless contemporaneously therewith the other class of shares is changed in the same manner and in the same proportion. Also, the authorized number of Common Shares cannot be increased without the prior approval of the holders of at least two-thirds of the Class A Non-Voting Shares represented and voted at a meeting of shareholders called for the purpose of considering such an increase.

5.1.6 *Ratings*

The Company's securities have been rated by Dominion Bond Rating Service Limited ("DBRS") and Standard & Poor's, a division of The McGraw-Hill Companies (Canada) Corp. ("S&P") as follows:

Security	**Rating**
Commercial Paper	DBRS R-1 (low)
Unsecured & Medium Term Notes	DBRS A (low)
Commercial Paper	S&P A-1 (low) (CDN)
Senior Unsecured Debt	S&P BBB+

The following information relating to credit ratings is based on information made available to the public by the rating agencies. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the above rating agencies rate long-term debt instruments by rating categories ranging from a high of AAA to a low of D. Medium term notes are assigned long-term ratings. DBRS rates commercial paper and short-term debt ranging from a high of R-1 to a low of D. S&P rates commercial paper and short-term debt ranging from a high of A-1 to a low of D. Short-term debt rated R-1 (low) by DBRS is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry. Long-term debt rated in the A category by DBRS is considered to be of a satisfactory credit quality, with substantial protection of interest and principal. However, companies whose securities are rated in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher rated companies. A short-term obligation rated A-1 is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. A long-term obligation rated in the BBB category by S&P exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A short-term DBRS rating from R-1 to R-3 may be modified by the addition of “(high)”, “(medium)” or “(low)”, and a long-term DBRS rating from AA to C may be modified by the addition of “(high)” or “(low)” to indicate the relative standing within the major rating categories. A long-term S&P rating from AA to CCC may be modified by the addition of a plus “(+)” or minus “(-)” sign to indicate the relative standing within the major rating categories.

The credit ratings assigned to the securities are not recommendations to purchase, sell or hold the securities and do not address market price or suitability for a particular investor. The credit ratings assigned to the securities may not reflect the potential impact of all risks on the value of the securities. There can be no assurance that the credit ratings will remain in effect for any given period of time or that the credit ratings will not be revised or withdrawn entirely by either or both of S&P and DBRS in the future if in their judgment circumstances so warrant, and if such rating is so revised or withdrawn, the Company will disclose such revised or withdrawn rating in the pricing supplement(s) relating to securities thereafter sold hereunder.

6. Market for Securities

The outstanding Common Shares and Class A Non-Voting Shares of Canadian Tire are listed on the Toronto Stock Exchange (“TSX”) and are traded under the symbols CTR and CTR.NV (formerly CTR.A) respectively.

6.1 Trading Price and Volume

The price ranges and volume of Common Shares of the Company traded on the TSX on a monthly basis from January, 2004 to and including December 31, 2004 was as follows:

Common Shares (CTR)

2004	High	Low	Volume Traded
January	47.25	43.75	18,813
February	54.00	44.10	27,570
March	61.00	50.00	31,151
April	60.00	55.75	15,054
May	59.50	56.50	8,084
June	61.00	56.50	12,139
July	58.87	55.35	6,903
August	56.90	53.05	11,115
September	58.78	55.50	11,105
October	60.40	56.75	15,777
November	75.00	58.50	32,614
December	75.50	68.00	18,318

The price ranges and volume of Class A Non-Voting Shares of the Company traded on the TSX on a monthly basis from January, 2004 to and including December 31, 2004 was as follows:

Class A Non-Voting Shares (CTR.NV)

2004	High	Low	Volume Traded
January	43.32	39.00	4,449,046
February	44.40	41.01	3,640,476
March	47.57	42.54	4,640,196
April	46.40	42.37	3,589,808
May	47.44	43.57	4,806,394
June	49.00	44.75	4,536,189
July	49.20	44.30	3,751,887
August	48.90	43.66	3,401,080
September	49.95	47.05	3,737,013

Class A Non-Voting Shares (CTR.NV)

2004	High	Low	Volume Traded
October	53.50	49.06	3,243,147
November	56.49	51.00	4,770,986
December	57.40	53.00	3,073,650

7. Directors and Officers

The names, province or state of residence, years of election as director and present principal occupations of the directors of the Company are as follows:

Name and Province or State of Residence	Year First Elected as a Director	Present Principal Occupation
Gilbert S. Bennett Ontario, Canada	1991	Chairman of the Board of the Company, Consultant and Corporate Director
Martha G. Billes Alberta, Canada	1980	President, Albikin Management Inc., an investment holding company
Owen G. Billes Ontario, Canada	2004	Manager, New Business Development, Canadian Tire Corporation, Limited
Adam Bucci Quebec, Canada	1999	President, Adam Bucci Ltée., which operates a Canadian Tire Associate Store
Gordon F. Cheesbrough Ontario, Canada	1998	Managing Partner, Blair Franklin Capital Partners Inc., an investment bank and asset management company, and Corporate Director
Austin E. Curtin Alberta, Canada	1998	President, Austin Curtin Sales Ltd., which operates Canadian Tire Associate Stores and a Petroleum outlet
James D. Fisher Ontario, Canada	1998	Associate Dean, Rotman School of Management, University of Toronto
H. Earl Joudrie Ontario, Canada	1990	Corporate Director
John S. Lacey Ontario, Canada	2003	Chairman, Alderwoods Group Inc., an international funeral services provider
Rémi Marcoux Quebec, Canada	1998	Executive Chairman, Transcontinental Inc., a company holding interests in printing and publishing companies
Kathleen Misunas New York, U.S.A.	2001	Principal, Essential Ideas, a consulting firm, and Corporate Director

Name and Province or State of Residence	Year First Elected as a Director	Present Principal Occupation
Frank Potter Ontario, Canada	1998	Chairman, Emerging Market Advisors Inc., a consulting firm dealing with foreign direct investment
Maureen J. Sabia Ontario, Canada	1985	President, Maureen Sabia International, a consulting firm, and Corporate Director
Wayne C. Sales Ontario, Canada	2000	President and Chief Executive Officer of the Company
Graham W. Savage Ontario, Canada	1998	Chairman, Callisto Capital LP, a merchant banking partnership
Stephen G. Wetmore Ontario, Canada	2003	Group President National Markets and Executive Vice-President, BCE Inc., a communications company

The names, province or state of residence and present principal occupations of the executive officers of the Company are as follows:

Name and Province or State of Residence	Present Principal Occupation
Gilbert S. Bennett Ontario, Canada	Chairman of the Board of the Company, Consultant and Corporate Director
Wayne C. Sales Ontario, Canada	President and Chief Executive Officer
J. Huw Thomas Ontario, Canada	Executive Vice-President, Finance and Administration and Chief Financial Officer
Mark Foote Ontario, Canada	President, Canadian Tire Retail
Thomas K. Gauld Ontario, Canada	President, Canadian Tire Financial Services Limited
Michael R. Lambert Alberta, Canada	President, Mark’s Work Wearhouse Ltd. and Executive Vice-President of the Company
Michael B. Medline Ontario, Canada	Executive Vice-President, New Business Development
Stanley W. Pasternak Ontario, Canada	Senior Vice-President and Treasurer
Susan J.E. Rogers Ontario, Canada	Senior Vice-President, Corporate Affairs
Kenneth Silver Ontario, Canada	Senior Vice-President, Real Estate & Construction
Patrick R. Sinnott Ontario, Canada	Senior Vice-President, Supply Chain

Name and Province or State of Residence	Present Principal Occupation
Cameron D. Stewart Ontario, Canada	Senior Vice-President, Secretary and General Counsel
Andrew T. Wnek Ontario, Canada	Senior Vice-President, Information Technology and Chief Information Officer
Bruce Allen Ontario, Canada	President, PartSource
G. Michael Arnett Ontario, Canada	Vice-President, New Business Development
Stuart Auld Ontario, Canada	Chief Financial Officer, Canadian Tire Retail
Michael Bucci Quebec, Canada	Regional Vice-President, Quebec, Canadian Tire Retail
Glenn G. Butt Ontario, Canada	Senior Vice-President, Store Support, Canadian Tire Retail
Robyn Collver Ontario, Canada	Associate General Counsel & Assistant Secretary, General Counsel, Canadian Tire Financial Services Limited
Timothy J. Condon Ontario, Canada	Vice-President, Business Development, Canadian Tire Financial Services Limited
Tracy L. Fellows Ontario, Canada	Vice-President, Consumer Advertising & Marketing, Canadian Tire Retail
Michael Ferris Ontario, Canada	Regional Vice-President Central, Ontario, Canadian Tire Retail
Brian C. Fiedler Ontario, Canada	Vice-President, Finance, Canadian Tire Corporation, Limited
Kristine Freudenthaler Ontario, Canada	Vice-President, Logistics, Canadian Tire Retail
Pamela Griffith-Jones Ontario, Canada	Vice-President, Leisure, Canadian Tire Retail
Rick Harrison Alberta, Canada	Senior Vice-President, Merchandising, Mark's Work Wearhouse Ltd.
Bruce C. Johnson Ontario, Canada	Vice-President, Distribution and Express Auto Parts, Canadian Tire Retail
C. Peter Kilty Ontario, Canada	President, Canadian Tire Petroleum
Colin Laker Alberta, Canada	Vice-President, Merchandise Services, Mark's Work Wearhouse Ltd.

Name and Province or State of Residence	Present Principal Occupation
Robin Lynas Alberta, Canada	Chief Information Officer, Mark's Work Wearhouse Ltd.
Candace MacLean Ontario, Canada	Divisional Vice-President & Assistant Treasurer
Kathleen M. Martin Ontario, Canada	Vice-President, Human Resources, Canadian Tire Retail
Marco Marrone Ontario, Canada	Vice-President, Chief Operating Officer, Canadian Tire Bank
Linda Mathiesen Alberta, Canada	Vice-President, Human Resources/Customer Service, Mark's Work Wearhouse Ltd.
Dean C. McCann Ontario, Canada	Vice-President, Finance, Canadian Tire Financial Services Limited and Chief Financial Officer, Canadian Tire Bank
Callum McLean Ontario, Canada	Vice-President, Business Analysis, Canadian Tire Retail
Reginald J. McLay Ontario, Canada	Vice-President, Business Development, Canadian Tire Retail
Matt Mucciacito Ontario, Canada	Vice-President, Transportation, Canadian Tire Retail
John Murphy Alberta, Canada	Senior Vice-President, Treasurer & Secretary, Mark's Work Wearhouse Ltd.
Sharon J. Patterson Ontario, Canada	Vice-President, Human Resources, Canadian Tire Financial Services Limited
Michel Petrucci Ontario, Canada	Vice-President, Information Technology Products & Services, Canadian Tire Financial Services Limited
Donald W.R. Riddell Alberta, Canada	Regional Vice-President, Western Canada, Canadian Tire Retail
David Roussy Ontario, Canada	Senior Vice-President, Marketing, Canadian Tire Retail
J. Todd Sharman Ontario, Canada	Vice-President, Automotive, Canadian Tire Retail
Michel St. Jean Ontario, Canada	Vice-President, Store Design, Mark's Work Wearhouse Ltd.
Michael Strachan Alberta, Canada	Senior Vice-President, Marketing & Merchandising, Mark's Work Wearhouse Ltd.
Dale Trybuch Alberta, Canada	General Merchandise Manager, Mark's Work Wearhouse Ltd.

Name and Province or State of Residence	Present Principal Occupation
Mary Turner Ontario, Canada	Vice-President, Customer Services & Operations, Canadian Tire Financial Services Limited
Randy J. Wiebe Alberta, Canada	Vice-President, Controller, Mark's Work Wearhouse Ltd.
Paul Wilson Alberta, Canada	President & Chief Operating Officer, Mark's Work Wearhouse Ltd.
Laila A. Zichmanis Ontario, Canada	Vice-President, Home, Canadian Tire Retail

NOTES:

1. Each director of the Company will hold office until the next annual meeting of shareholders of the Company or until his or her successor is elected or appointed unless his or her office is earlier vacated in accordance with the by-laws of the Company.

2. Each of the directors of the Company has had the principal occupation indicated opposite his or her name during the past five years except:

   (a) O.G. Billes, who in 2004 was Manager, Divisional Initiatives, Customer Service Strategic Development, Canadian Tire Financial Services Limited, who from 2003 to 2004 was Manager, In-store Receiving and Logistics in connection with Canadian Tire Associate Store #237, who from 2002 to 2003 was Manager, Special Projects, New Business Development, and who prior thereto was Operations Planner, Transportation and Distribution. O.G. Billes was an employee of the Company in connection with each of the foregoing employment positions, except for his position with Canadian Tire Financial Services Limited, a wholly-owned subsidiary of the Company;

   (b) J.S. Lacey, who became Chairman, Alderwoods Group, Inc. in 2002, who prior thereto was Chairman, Loewen Group Inc.;

   (c) R. Marcoux, who became Executive Chairman, Transcontinental Inc. on March 24, 2004, and who prior thereto was Chairman and Chief Executive Officer, Transcontinental Inc.;

   (d) K. Misunas, who in 2001 was Chief Executive Officer, High Adventure Travel Inc., a California corporation doing business as AirTreks; and

   (e) S.G. Wetmore, who has been Executive Vice-President, BCE Inc. since 2002 and Group President National Markets, BCE Inc. since 2003, who in 2003 was Chief Corporate Officer, Bell Canada and from 2002 to 2003 was Vice-Chair, Corporate Markets, Bell Canada, and who prior thereto was President and Chief Executive Officer, Aliant Inc.

3. With the exception of the holding of other offices at the Company, Canadian Tire Financial Services Limited and Mark's Work Wearhouse Ltd., each of the executive officers who is not a director has had the principal occupation referred to opposite his or her name during the past five years except:

   (a) M. Bucci, who prior to February 2005, was a Canadian Tire Associate Dealer;

   (b) R. Collver, who prior to October 2002 was a partner at Cassels Brock & Blackwell LLP, a law firm;

(c) T.L. Fellows, who prior to February 2001 was Vice President Marketing, Sobeys Capital Inc. – Retail Brands;

(d) B. Fiedler, who from 2003 to 2004 was Chief Financial Officer, Goodman Fielder New Zealand Limited and who from 2000 to 2003 was Finance Director, Colgate Palmolive (Malaysia) Sdn. Bhd.;

(e) M.B. Medline, who prior to January 2001 was Senior Vice-President of Abitibi-Consolidated Inc.;

(f) S. J. Patterson, who prior to April, 2001 was Director, Human Resources, ABB Canada Ltd.;

(g) D.W.R. Riddell, who prior to March 2002 was Senior Vice-President, Franchised Operations Ontario, Sobey's, Inc.; and

(h) S.J.E. Rogers, who prior to October 2002 was President, Rogers and Company Inc., a consulting firm.

4. On March 10, 2005, all directors and senior officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,150 Common Shares of the Company (61.4%) and 982,208 Class A Non-Voting Shares of the Company (1.26%). In addition, two officers of the Company act as trustees of the Company's deferred profit sharing plan that holds 419,280 of the Common Shares of the Company (12.2%) and 1,414,192 of the Class A Non-Voting Shares of the Company (1.8%).

5. The present members of the Company's Audit Committee are G.F. Cheesbrough, J.D. Fisher, R. Marcoux, M.J. Sabia (Chairman), G.W. Savage and S.G. Wetmore. The present members of the Company's Governance Committee are M.G. Billes (Chairman), H.E. Joudrie, J.S. Lacey, R. Marcoux, and F. Potter. The present members of the Company's Management Resources and Compensation Committee are J.D. Fisher (Chairman), J.S. Lacey, K. Misunas, M.J. Sabia and G.W. Savage. The present members of the Company's Social Responsibility and Risk Governance Committee are M.G. Billes, G.F. Cheesbrough, A. Curtin, H.E. Joudrie, K. Misunas, F. Potter (Chairman) and S.G. Wetmore.

6. J.D. Fisher was a director of White Rose Nurseries Ltd. and CDPlus.com Ltd., H.E. Joudrie was an officer of Algoma Steel Inc. and Sammi Altas Inc., and G.W. Savage was a director of Microcell Inc., at the time each such company filed for protection under the *Companies' Creditors Arrangement Act*. J.S. Lacey was a director and officer of Loewen Group Inc. at the time the company filed for bankruptcy under the *Bankruptcy and Insolvency Act,* and S.G. Wetmore was an officer of Air Atlantic Ltd. at the time the company filed for creditor protection under the *Bankruptcy and Insolvency Act*.

8. Legal Proceedings

In September, 2000 Financial Services was served with a motion to institute a class action against it, and asserting that the interest rate of 28.8 percent payable on Canadian Tire retail card account balances (i) is abusive and therefore subject to reduction pursuant to Section 1437 of the *Quebec Civil Code* or (ii) involves disproportionate obligations on consumers and is exploitative under Section 8 of the *Consumer Protection Act* (Quebec). The remedies sought by the petitioner in that case include an order that Financial Services reimburse to each member of the class the interest charged by it on Canadian Tire retail cards since July 1, 1997 together with interest and certain other amounts. On March 7, 2000 the Quebec Court of Appeal authorized a similar class action proceeding against the Hudson's Bay Company (the "Bay"). In light of the pending class action against the Bay, the Petitioner's motion was adjourned without a specific date for hearing on the understanding that it may be re-activated on 30 days' notice. On October 19, 2004, the Superior Court, Province of Quebec, District of Laval ruled in favour of the Bay in the class action involving the Bay. On November 17, 2004, the plaintiff in that case filed an inscription in appeal.

In October, 2004, a motion for authorization to proceed with a class action against CTB and a number of other banks was filed by Option Consommateurs, a Quebec-based consumers' group. The class action alleges that the cash advance transaction fees charged by CTB are not permitted under the *Consumer Protection Act (Quebec)*. The claim seeks a return of all fees assessed against cardholders for cash advances, plus interest and punitive damages of $200 per class member. CTB believes it has a solid defence to the claim on the basis that banks are not required to comply with provincial legislation because banking and cost of borrowing disclosure is a matter of exclusive federal jurisdiction.

9. Transfer Agents and Registrars

Computershare Trust Company of Canada ("Computershare") is the registrar and transfer agent for the Common Shares and Class A Non-Voting Shares of the Company. Computershare keeps the Register of Holders and the Register of Transfers for both the Common Shares and Class A Non-Voting Shares at its principal stock transfer office in the City of Toronto and Branch Registers of Transfers at stock transfer offices in the cities of Halifax, Montreal, Winnipeg, Calgary and Vancouver.

CIBC Mellon Trust Company ("CIBC Mellon") is the registrar and transfer agent for the Company's medium term notes and certain of its debentures. CIBC Mellon keeps the Register of Holders and the Register of Transfers for both the medium term notes and these debentures at its principal office in the City of Toronto, and Branch Registers of Transfers at offices in the cities of Montreal, Winnipeg, Calgary and Vancouver.

10. Interests of Experts

10.1 <u>Names of Experts</u>

Deloitte & Touche LLP, the Company's independent external Auditors, review the Company's consolidated financial statements and provide a report as to whether such statements present fairly, in all material respects, the financial position of the Company as at the two most recently completed financial year ends, the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

10.2 <u>Interests of Experts</u>

The partners and staff of Deloitte & Touche LLP beneficially own, directly or indirectly, less than 1 percent of any class of securities issued by the Company, including Class A Non-Voting Shares.

11. Audit Committee Information Required In An Annual Information Form

11.1 <u>Audit Committee Mandate and Charter</u>

The text of the Audit Committee Mandate and Charter is attached hereto as Annex A.

11.2 Composition of the Audit Committee

The members of the Audit Committee are Maureen J. Sabia (Chairman), Gordon F. Cheesbrough, James D. Fisher, Rémi Marcoux, Graham W. Savage and Stephen G. Wetmore. Each member of the Audit Committee is independent and financially literate. According to Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110"), an individual is financially literate if he or she has 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 Company's financial statements. According to MI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with the Company.

11.3 Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Audit Committee Member	**Education and Experience**
Maureen J. Sabia (Chairman)	Miss Sabia has been a corporate director since 1985 serving on a number of corporate boards. She has served on several audit committees, has chaired three, and was Chairman of the Export Development Corporation from 1991 to 1994. Miss Sabia has co-authored "Integrity in the Spotlight – Opportunities for Audit Committees", published in 2002 and "Integrity in the Spotlight – Audit Committees in a High Risk World" published in 2005. Miss Sabia holds a J.D. from the University of Toronto, Faculty of Law and practised corporate commercial law from 1967 to 1986.
Gordon F. Cheesbrough	Mr. Cheesbrough has 30 years' experience in the financial service industry. This experience includes assessing risk for a major financial institution, which requires a working knowledge of accounting principles. Mr. Cheesbrough has served on audit committees for both "for profit" and "not-for-profit" organizations in Canada and the U.S. He has also held the position of Chief Executive Officer for regulated entities which positions required extensive knowledge of financial matters including the application of accounting principles in connection with the accounting for estimates and accruals.
James D. Fisher	Mr. Fisher has over 18 years' advisory consulting experience, including advising on cost accounting and financial strategies. He has held the position of Chief Executive Officer with three multimillion dollar businesses, two of which were divisions of publicly traded companies, and the third a publicly traded company. Mr. Fisher has chaired and been a member of several audit committees. He holds a B.A. in Economics from the University of Toronto and an M.B.A. with high distinction from Harvard University.

Rémi Marcoux	Mr. Marcoux is the founder (1976) and Executive Chairman of the Board of Transcontinental Inc., the seventh largest printer in North America and the fourth largest print media group in Canada. He is a graduate of École des Hautes Études Commerciales de Montréal. Mr. Marcoux obtained his C.A. in 1969, completed the Owner President Management Program from the Harvard Business School in 1985, and received an Honorary Doctorate from École des Hautes Études Commerciales de Montréal in 2004.
Graham Savage	Mr. Savage has 32 years of experience in the finance and investment industry, including seven years as Chief Financial Officer of a major public company. He has been a member of many board audit committees, many of which he chaired. Mr. Savage holds an undergraduate degree from Queen's University and an M.B.A.
Stephen G. Wetmore	Mr. Wetmore serves as a director of two publicly traded Canadian companies in addition to Canadian Tire. Prior to his current position, Mr. Wetmore held the position of Chief Financial Officer in other organizations and was Chief Executive Officer of a publicly traded Canadian company. Mr. Wetmore is a chartered accountant, and spent seven years in public accounting with PricewaterhouseCoopers. He holds a B.B.A. in accounting from Acadia University.

11.4 Pre-Approval Policies and Procedures

The Audit Committee has a process for approval of services to be provided by its current Auditors. The process requires that an annual client services plan be provided to and pre-approved by the Audit Committee prior to commencement of services by the Auditors. Any additional audit or non-audit services required by management will be permitted provided that management is satisfied the Auditors are the preferred supplier for such services, the proposed terms of engagement for the services are approved by the Chairman of the Audit Committee (or by the Audit Committee if the fees for such services exceed $100,000 or the services are of a sensitive or unusual nature), and the Chairman of the Audit Committee advises the Audit Committee of any such pre-approved services at its next meeting. The Auditors will also be responsible for ensuring that all services provided comply with professional independence standards, for disclosing to the Audit Committee all relationships between the Auditors and the Corporation and its related entities that may reasonably be thought to bear on the Auditors' independence, and for disclosing the total fees charged by the Auditors for audit and non-audit services during the past year.

11.5 External Auditor Service Fees (By Category)

11.5.1 *Audit Fees*

The aggregate fees billed by the Company's external Auditors for audit services in the financial years ended January 3, 2004 and January 1, 2005 were $2,154,200 and $2,278,700 respectively.

11.5.2 *Audit-Related Fees*

The aggregate fees billed by the Company's external Auditors for assurance and related services that were reasonably related to the performance of the audit or review of the

Company's financial statements, and were not reported under Section 11.5.1 Audit Fees for the financials years ending January 3, 2004 and January 1, 2005 were $893,300 and $875,800 respectively. These services related primarily to consultation on existing and new accounting guidance issued by the Canadian Institute of Chartered Accountants.

11.5.3 *Tax Fees*

The aggregate fees billed by the Company's external Auditors for professional services related to tax compliance, tax advice and tax planning for the financial years endings January 3, 2004 and January 1, 2005 were $485,900 and $1,331,700 respectively. These services related primarily to property tax appeal services, commodity tax support and various tax advice in connection with foreign operations and the Canadian tax implications.

11.5.4 *All Other Fees*

The aggregate fees billed by the Company's external Auditors for services other than those reported under sections 11.5.1, 11.5.2 and 11.5.3 above for the financial years ending January 3, 2004 and January 1, 2005 were $197,200 and $127,800 respectively. These services related primarily to litigation issues and development of a model to categorize Associate Dealer risk.

12. Additional Information

The Company will provide to any person, upon request to the Senior Vice-President, Corporate Affairs or the Senior Vice-President, Secretary and General Counsel of the Company:

(a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,

   (i) one copy of the annual information form of the Company together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form,

   (ii) one copy of the comparative consolidated financial statements of the Company for the most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditors and one copy of the most recent interim consolidated financial statements of the Company that have been filed for any period after the end of its most recently completed financial year,

   (iii) one copy of the Company's management information circular in respect of its most recent annual meeting of shareholders, 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 clauses (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in clauses (a) (i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Requests for additional information should be directed to the Senior Vice-President, Corporate Affairs or the Secretary of the Company, in either case at 2180 Yonge Street, 18th Floor, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Management Information Circular prepared in connection with the Annual and Special Meeting of Shareholders of the Company to be held on May 12, 2005. Additional financial information is provided in the Company's Consolidated Financial Statements for the financial year ended January 1, 2005 which are included in the Company's 2004 Annual Report.

ANNEX A

AUDIT COMMITTEE MANDATE AND CHARTER

I THE BOARD OF DIRECTORS' MANDATE FOR THE AUDIT COMMITTEE

1. The Board of Directors ("Board") bears responsibility for the stewardship of Canadian Tire Corporation, Limited (the "Corporation"). To discharge that responsibility, the Board is obligated by the Ontario Business Corporations Act to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

(a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;

(b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;

(c) that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition; and

(d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

(i) the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;

(ii) the Corporation's internal financial controls are regularly assessed for effectiveness and efficiency;

(iii) the Corporation's quarterly and annual financial statements are properly prepared by management;

(iv) the Corporation's quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and

(v) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.

2. Composition of Committee

(a) The Committee shall be appointed annually by the Board and consist of at least five (5) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgement as a member of the Committee. Officers of the Corporation, including the Chairman of the Board, may not serve as members of the Audit Committee.

(b) All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles.

(c) The Board shall designate the Chairman of the Committee.

3. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

(a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this mandate, 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 mandate is intended, or may be construed, to impose 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 all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

II AUDIT COMMITTEE CHARTER

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;

- Specific Responsibilities and Duties.

A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

(1) Committee Values

The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies; with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.

(2) Communications

The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, the Internal Auditor and other key Committee advisors as applicable.

(3) Financial Literacy

All Committee members shall have 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.

(4) Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter.

In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

(5) Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

(6) Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

(7) External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

(8) In Camera Meetings

At each meeting of the Committee, the members of the Committee shall meet in private session with the external auditors; with management; and with the Committee members only. The Committee shall meet in private session with the Internal Auditor as often as it deems necessary, but in any event, no less than twice per year.

(9) Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

(10) Committee Self Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

(11) The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

(12) Approval of Other Engagements

The Committee shall approve all engagements for accounting and tax advice provided by an audit firm other than the external auditors.

B. Operating Procedures

(1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.

(2) A quorum shall be a majority of the members.

(3) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

(4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.

(5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

C. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

(1) review the Corporation's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete,

represent fairly the Corporation's financial position and performance and are in accordance with GAAP and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition and report thereon to the Board before such financial statements are approved by the Board;

(2) review with management and the external auditors the financial statements of the Corporation's significant subsidiaries and of the Corporation's profit sharing plans;

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

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

(5) review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;

(6) review and, if appropriate, recommend approval to the Board of all public disclosure documents containing material audited or unaudited financial information, including material change disclosures of a financial nature, earnings press releases, prospectuses, management's discussion and analysis, annual information forms, as well as any earnings guidance; and

(7) satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

Accounting Policies

(1) review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP; and report thereon to the Board;

(2) review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries;

(3) review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgements and reserves.

Risk and Uncertainty

(1) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:

(a) reviewing with management the Corporation's tolerance for financial risk;

(b) reviewing with management its assessment of the significant financial risks facing the Corporation;

(c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks;

(d) reviewing with management its plans, processes and programs to manage and control such risks;

(2) discuss with management, at least annually, the guidelines and policies utilized by management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee to assess the completeness, adequacy and appropriateness of financial risk disclosure in management's discussion and analysis and in the financial statements;

(3) ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;

(4) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;

(5) review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;

(6) review the adequacy of insurance coverages maintained by the Corporation;

(7) review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

(1) review the plans of the internal and external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;

(2) receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Compliance with Laws and Regulations

(1) review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:

(a) tax and financial reporting laws and regulations;

(b) legal withholding requirements;

(c) environmental protection laws and regulations;

(d) other laws and regulations which expose directors to liability;

(2) review reports from the Social Responsibility and Risk Governance Committee with respect to Occupational Health and Safety matters having a potential significant financial impact and to gain reasonable assurance annually that the Corporation's reserves with respect to such matters are sufficient and appropriate;

(3) review the status of the Corporation's tax returns and those of its subsidiaries;

(4) discuss with the General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business of the Corporation, or on the compliance policies of the Corporation.

<u>Relationship with External Auditors</u>

(1) recommend to the Board the nomination of the external auditors;

(2) recommend to the Board the remuneration and the terms of engagement of the external auditors;

(3) if necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;

(4) review the performance of the external auditors annually or more frequently as required;

(5) receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;

(6) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;

(7) establish a policy under which management shall bring to the attention of the Chairman of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Chairman is authorized to approve all such requests, but if any such service exceeds $100,000 in fees, or the service is of a sensitive or unusual nature, the Chairman shall consult with the Committee before approving the service. The Chairman has the responsibility to inform the Committee of all pre-approved services at its next meeting;

(8) discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;

(9) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;

(10) meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;

(11) establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;

(12) oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and

(13) request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

Internal Auditor

(1) review the Internal Auditor's terms of reference;

(2) review the annual plan of the Internal Auditor;

(3) review the reports of the Corporation's Internal Auditor with respect to control and financial risk, and any other matters appropriate to the Committee's duties. The Committee shall review the adequacy and appropriateness of management's response, including the implementation thereof;

(4) review and approve the reporting relationship of the Internal Auditor to ensure that an appropriate segregation of duties is maintained and that the Internal Auditor has an obligation to report directly to the Committee on matters affecting the Committee's duties, irrespective of his or her other reporting relationships;

(5) review and report to the Board on the appointment, replacement, reassignment or dismissal of the Internal Auditor.

Other Responsibilities

(1) periodically review the form, content and level of detail of financial reports to the Board;

(2) approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;

(3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;

(4) review in advance the appointment of the Corporation's senior financial executives;

(5) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;

(6) review reports from the Internal Auditor, the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct, and the Corporation's policies on political donations and commissions paid to suppliers or others;

(7) review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;

(8) (a) establish procedures for:

(i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and

(ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and

(b) require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns.

<u>Accountability</u>

(1) review and update this Charter on a regular basis for approval by the Board;

(2) from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices and in its annual information form.

(3) review the description of the Committee's activities as set forth in the Corporation's statement of corporate governance practices.