

THE
WESTERN INVESTMENT
COMPANY OF CANADA LIMITED



Management's Discussion and Analysis ("MD&A")

Quarterly Highlights

For the year ended December 31, 2017

Dated: April 13, 2018

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis

For the year ended December 31, 2017

Introduction

The Western Investment Company of Canada (“**Western**” or the “**Corporation**”) is a publicly traded private equity company based in Western Canada. It's common shares trade on the TSX-V under the trading symbol WI. **Our purpose is to create long-term wealth for shareholders by building and maintaining a portfolio of strong, stable, and profitable Western-based companies and helping them to grow and prosper.** Our strategy is to use our expertise and capital to grow already great Western Canadian businesses, ultimately contributing to their success and legacy over the long run.

Western's targeted industry verticals align with the industry expertise of the Board of Directors and include: (i) financial services and insurance; (ii) retail and distribution; (iii) human services; (iv) agriculture and related services; and (v) special situations. Western's ideal acquisition enterprise value is between \$10 million to \$100 million and it will consider ownership between 30% to 100%. Western will prospect acquisitions from: (i) director and executive networks; (ii) mid-market accounting and M&A advisors and (iii) private equity and corporate divestitures.

This Management Discussion and Analysis (“MD&A”) provides an update on the Corporation's business activities, financial condition, financial performance and cash flows since December 31, 2016. The Corporation reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars. The MD&A should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2017. The MD&A was prepared by management of Western and was approved by the Board of Directors on April 23, 2018. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR at www.sedar.com.

The following table outlines the acquisitions we have completed as of April 23, 2018;

Investments	Acquisition Date	Ownership (%)
GlassMasters ARG Autoglass Two Inc.	December 16, 2016	50.1%
Golden Health Care	September 1, 2017	25.0 - 30.0%
Ocean Sales Group Ltd.	January 1, 2018	75.0%
Foothills Creamery Ltd.	February 28, 2018	50.4%

2017 Key Highlights

In 2017, our directors and management team were focused on finding, reviewing and executing multiple investment deals. As at the date of this MD&A, Western's investment capital has been fully deployed. Our portfolio currently consists of four portfolio companies in three of the four target industry sectors. Western intends to partner with each of the management teams and provide governance and continuity capital to grow each of the portfolio companies going forward.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis

For the year ended December 31, 2017

Acquisitions:

- Revenue earned by the Corporation's first equity investment, a 50.1% interest in GlassMasters ARG Autoglass Two Inc. ("**GlassMasters**"), increased 5% in the year ended December 31, 2017 compared to the same period in 2016 (which includes both pre and post acquisitions results) and Gross Profit increased 9%. In 2017 GlassMasters management invested significant resources in expansion opportunities setting the stage for two new locations to open in the first half of 2018 which will increase the number of retail stores from seven to nine. Further new stores are planned for the second half of 2018 and the first half of 2019.
- On September 1, 2017, Western closed its second acquisition partnering with a seasoned management team in the healthcare industry. Western acquired a 30% equity investment in three Saskatchewan senior care homes operating under Golden Health Care Inc., and a 25% interest in Golden Health Care Management Inc. (together known as "**Golden Health Care**" or "**Golden**"). The total value of the transaction was \$4,940,762
- On September 21, 2017, Western announced its intent to acquire its third investment, a 75% interest in the Ocean Sales Group Ltd ("**Ocean Sales**"), an Alberta based speciality retailer with operations across North America. Western closed the acquisition on January 1, 2018 with a total investment of \$3.45 million.
- On November 16, 2017, Western announced its intent to acquire a 50.4% interest in Foothills Creamery Ltd. ("**Foothills Creamery**"), one of Western Canada's premier producers of dairy products including butter and premium ice cream. Western closed the acquisition on February 28, 2018 with a total investment of \$3.325 million.

Financial Results:

- Western's revenue for the 2017 fiscal year, now includes four months of income from Golden Health Care and a full year from GlassMasters. This revenue has been offset by one-time acquisition costs incurred from the Golden Health Care and Ocean Sales acquisitions which are fully expensed for a net loss for the year ended December 31, 2017 of \$434,397 (-\$0.016 EPS). Net Income Normalized for Portfolio Investment Operations ("**NPIO**") was \$68,735 (\$0.002 EPS). The NPIO metric removes \$503,132 in after-tax expenditures related to acquisition activity from our Net Loss. Management believes NPIO provides investors with important information on the Corporation's ongoing operations excluding one-time acquisition expenses. This metric provides a picture of profitability from normalized operating activities. For more information on NPIO see 'Description of Non-IFRS Measures' section of this MD&A.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

Summary of Equity Investments

Below is a summary of Western's portfolio companies at December 31, 2017.

Golden Health Care

On September 1, 2017 the Corporation acquired a 30% equity interest in three Saskatchewan senior care homes and a 25% interest in Golden Health Care Management Inc. for a total value of \$4,940,762. The three homes include; Hill View Manor Ltd. in Estevan, The Good Shepherd Villas Inc. in Prince Albert, and William Albert House Ltd. in the Regina suburb of Emerald Park. These homes have been operating at or near 100% occupancy with significant waiting lists. Western is pleased to be part of the skilled and experienced management team via its seats on the board for Golden Health Care Management Inc. which currently provides management services to a portfolio of seven retirement communities and approximately 457 retirement suites.

Golden Health Care is the largest full-service retirement operator in Saskatchewan. They have a unique model of "aging in place" where Golden's care homes adapt to the needs of each individual resident from assisted living up to long term care in each facility, maintaining a family environment rather than an institutional one regardless of the level of care required. This is a philosophy that Western truly believes in and is unique to Golden. The homes bring with them an established management team, and a reputation of quality service and resident suites.

This acquisition brings a stable revenue producing investment to Western's portfolio, with the opportunity for future expansion as Golden is uniquely positioned to meet the needs of a growing health care segment. Western and Golden Health Care are committed to work together in the coming year to develop and implement a planning and governance framework to support future growth. Western will bring experience and resources to support the vision of Golden Health Care's management team as they explore the potential for expansion of the organization both at current sites and into new communities. There is potential that regulatory changes in the Saskatchewan marketplace could boost the expansion potential. Management of Golden Health Care Management Inc. is continually re-evaluating projects for expansion potential with a goal of tripling the number of suites over the next five years.

In the four months ended December 31, 2017 total revenue for the four Golden Companies Western has invested in was \$2.7 million. Net income for this period was \$174,449 with Western's share of this coming to \$52,404. Western allocated \$2.5 million of the \$4.9 million purchase price to the fair value adjustment on the land and buildings associated with the care homes as their fair value was significantly more than the book value recorded on Golden Healthcare Group of Companies books. Western is depreciating the amount allocated to this fair value amount in-line with the useful life of each building. This corresponds to \$17,617 in depreciation adjustment to the amount of Western's equity income in 2017.

Western appoints two of nine members of the board of directors of Golden Healthcare Management Inc., the company that oversees the operating companies. Through its share ownership and its appointments to the board of directors, the Corporation can exercise significant influence over the investments in Golden and accordingly, the Corporation is using the equity method to account for its investment in Golden.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis

For the year ended December 31, 2017

GlassMasters

The Corporation has a 50.1% equity investment in GlassMasters which is an automotive glass service company with seven retail locations providing repair and replacement of autoglass ("Service Division") and two automotive glass warehouses that import to sell wholesale a full line of quality aftermarket glass parts and materials at competitive prices ("Wholesale Division"). GlassMasters' current principal markets are the Calgary, Edmonton and Red Deer regions.

Western has significant influence over GlassMasters given Western appoints two of seven directors, however this does not give Western control of GlassMasters. As such, the Corporation has accounted for its investment in GlassMasters under the equity method.

For the fiscal year 2017, GlassMasters' revenue and gross profit increased 5% and 9% respectively compared to the same period last year, largely as a result of increased volume and a moderately stronger Alberta economy. Total revenue for 2017 reached \$19.1 million from \$18.1 million the prior comparative year and over \$1.1 million in long-term debt was paid off and approximately \$0.2 million in contingent consideration is payable to the current CEO for meeting performance targets. In 2017 GlassMasters relocated their Edmonton warehouse operations to a new 25,000 square foot location adding significant inventory capacity to service Northern Alberta. It is expected this warehouse will assist in lowering cost of sales and will increase sales in the wholesale division. Its Edmonton west location relocated as well to a 10,000-square foot, state of the art store, with cutting edge glass bays.

In 2017 GlassMasters' management team has invested heavily into expansion plans setting the foundation for growth in 2018. On March 1, 2018 a new store was opened in Saskatoon, Saskatchewan, and an additional location is currently set to open on June 1, 2018 in Airdrie, Alberta. Investment was made into on-line systems to facility mobile booking, promotion and internal reporting. GlassMasters continues to actively seek additional retail locations to expand throughout Alberta, BC, and Saskatchewan and expects to open up to three new retail locations in 2018. GlassMasters' business is seasonal and peaks during the spring and summer driving months. Based on the seasonality of GlassMasters' operations, readers are cautioned not to weigh quarterly financial data equally for all quarters.

Summarized financial information of GlassMasters and Golden (100%) and the Corporation's investment in these associates has been disclosed in the notes to the financial statements for year ended December 31, 2017.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

Review of Westerns Operations and Financial Results

The financial highlights of the Corporation for the periods indicated are as follows:

	Q4 2017	Q4 2016	FY 2017	FY 2016
Western Income Statement for the periods ending December 31				
Revenue	(5,405)	(222,130)	689,445	(222,130)
Acquisition related expenses	222,404	154,430	503,132	534,815
Professional fees	116,255	350,558	326,088	139,505
Regulatory fees	11,346	13,640	61,041	18,304
Management salaries	24,298	-	72,036	-
Share based compensation	-	-	70,764	637,932
Other expenses	21,367	7,225	90,781	31,143
Total expenses	395,670	525,853	1,123,842	1,361,699
Net loss and comprehensive loss	(401,075)	(747,983)	(434,397)	(1,583,829)
Net loss per share	(0.013)	(0.068)	(0.016)	(0.163)

	2017	2016
Western Balance Sheet as at December 31		
Cash and cash equivalents	2,130,300	45,067
Working capital	9,989,612	3,639
Total assets	20,048,024	4,113,879
Long term debt	4,540,000	-
Shareholders equity	14,720,756	3,791,509

	2017	2016
Western Share Count Information as at December 31		
Weighted average Common shares outstanding	27,687,231	9,687,913

In 2017, Western completed its first full year of operations with GlassMasters which contributed \$507,726 in equity income plus an additional \$100,000 in management fees to the Corporation's results. Golden Health contributed \$34,787 in equity income after internal adjustments for amortization on fair value adjustments on the buildings.

Costs are relatively high in the second half of 2017 due to the transaction costs incurred on the acquisitions of Golden Health and Ocean Sales. In addition to the significant legal and other professional fees required on an acquisition, the Corporation ensures that it performs adequate due diligence, including the use of outside independent consultants, prior to making the decision to proceed with an acquisition. The Corporation will continue to incur these types of expenses as it progresses with the pursuit of other potential businesses for purchase. Other significant

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis For the year ended December 31, 2017

costs incurred in 2017 relate to those required to ensure proper compliance with public company disclosure requirements, including audit and legal counsel. Western continues to maintain low overhead and internal operation costs in line with its Western Sensibility Principles of ensuring 1) a sustainable but flexible workforce of part-time employees and contractors that expands and contracts to the needs of the Corporation 2) compensation of directors through a modest option program and unique "time and expense" formula and 3) collecting management fees from portfolio companies to offset increased general and administration costs.

Looking to 2018, Western is working with the management of each of our new portfolio companies on the implementation of our guiding management principles. We are working with each company to put in place the Pattison Principles and Rockefeller Habits and aiming to add value to each organization. We will work closely with our partners in managing the growth potential and in ensuring the long-term success and sustainability of each company.

Summary of Western's Quarterly Financial Information

Selected unaudited financial data for our operations during the last eight quarters are as follows:

in C\$000s except for per share amounts	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016
Total Income/(loss)	(\$5.4)	\$287.3	\$371.3	\$36.3	\$ -	\$ -	\$ -	\$ -
Operating Expenses	\$395.7	\$368.8	\$235.1	\$124.4	\$748.0	\$73.8	\$106.4	\$655.6
Net Income (Loss) NPIO ¹	(\$178.7)	\$151.0	\$184.5	(\$88.1)	(\$748.0)	(\$73.8)	(\$106.4)	(\$655.6)
Net Income (Loss)	(\$401.1)	(\$81.5)	\$136.3	(\$88.1)	(\$748.0)	(\$73.8)	(\$106.4)	(\$655.6)
Earnings (Loss) per Share NPIO²								
- Basic	(\$0.006)	\$0.005	\$0.006	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)	(\$0.060)
- Diluted	(\$0.006)	\$0.005	\$0.006	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)	(\$0.060)
Earnings (Loss) per Share								
- Basic	(\$0.013)	(\$0.003)	\$0.004	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)	(\$0.060)
- Diluted	(\$0.013)	(\$0.003)	\$0.004	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)	(\$0.060)
Total Assets	\$20,048.0	\$15,411.6	\$15,339.5	\$15,340.3	\$4,113.9	\$4,279.3	\$4,366.1	\$4,407.8
Total Long-Term Liabilities	\$4,540	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

1 Defined as Net Income Normalized for Portfolio Investment Operations, and excludes expenses associated with finding or executing new acquisitions such as due diligence, legal and advisory expenses. For more information see 'description of non-IFRS measures' section of this MD&A.

2 Defined as Net Income (Loss) NPIO divided by the basic or diluted number of shares outstanding

Fourth quarter results for 2017 are affected by a few main factors. One-time non recurring costs of \$222,404 were incurred in this quarter in association with the acquisitions of Ocean Sales and Foothills. Of this amount, \$100,000 was incurred directly in Western's wholly owned subsidiary, Ocean Sales Group Ltd, who's results are consolidated into Western in this period.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

In 2017 the most significant factor affecting Western's revenue is the results of GlassMasters, which contributed an equity loss of \$55,799 to the quarter. As discussed above, GlassMasters operations are subject to significant seasonality with the fourth quarter expected to produce low contributions. Actual results of Glassmasters for the fourth quarter are slightly lower than budgeted and could be attributed to the seasonally colder months and price increases implemented in the prior quarter. Management continues to assess and adjust operations where necessary and is looking forward to a successful 2018.

Golden is expected to contribute a relatively modest equity contribution to Western's portfolio. Western's share of Golden's fourth quarter net income was \$32,725. This was reduced to \$15,107 by internal adjustments for depreciation on the fair value adjustments of the buildings acquired. The fair value of the properties owned by the Golden companies is significantly higher than the book value recorded. This value is recorded as part of the investment on Western's books, and internal adjustments are made on it to account for depreciation each quarter.

Liquidity and Capital Resources

As at December 31, 2017, the Corporation, on a non-consolidated basis, had cash and cash equivalents of \$2,130,300 (December 31, 2016 - \$45,067). An additional \$8,550,000 in cash is included in the consolidated financial statements. This cash was held in escrow at December 31, 2017, in Ocean Sales Group Ltd. for the acquisition on January 1, 2018. Working capital of \$9,989,612 (December 31, 2016 - \$3,639) was available to fund investment opportunities, including those made subsequent to year-end. In February 2018 the Corporation obtained an operating loan facility to assist in the acquisition of Foothills Creamery Ltd. and for general operating needs. With the closing of this acquisition, Western has its capital fully deployed and is relying on the operating loan facility to fund day to day operations.

The Corporation currently generates operating cash from management fees and dividends from its portfolio investments. Western intends to raise equity capital where necessary to fund its planned portfolio expansion. The Corporation believes it can continue to raise any necessary capital to fund this growth.

In the year ended December 31, 2017 the Corporation used \$711,845 (2016 - \$438,200) in cash in operating activities and raised \$16,337,840 (2016 - \$4,016,392) in cash from financing activities which related to the issuance of shares and \$5,050,000 in long term debt held in Ocean Sales Group Ltd. \$4,990,762 in cash was used in investing activities (2016 - \$4,010,000) to acquire its investment in Golden Health Care.

Outstanding Share Data

On February 22, 2017, in line with its short form prospectus, the Corporation issued a total of 19,107,250 common shares, bringing the total amount issued and outstanding from 11,443,000 to 30,550,256. The common shares were issued at a price of \$0.65 per share, for aggregate gross proceeds of \$12,419,713 excluding underwriters' commission and expenses. In the remainder of the year ended December 31, 2017, 240,500 shares have been repurchased by the Corporation in conjunction with its normal issuer bid, and an additional 8,000 new shares were issued bringing the total common shares outstanding at December 31, 2017 to 30,317,756.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

In fiscal 2017, 210,000 stock options with an exercise price of \$0.65 were issued to directors as part of the Corporation's incentive stock option plan. This brings the total amount of stock options outstanding as at December 31, 2017 to 2,210,000 with exercise prices ranging from \$0.50 to \$0.65. Of the total stock options issued, 900,000 options were issued to the Corporation's agent as part of its IPO. The remaining balance has been issued to the Corporation's directors in lieu of cash compensation. Subsequent to year end, the 900,000 agent options expired and 200,000 options were forfeited.

The Corporation has regulatory approval to proceed with a normal course issuer bid whereby Western may purchase up to 1,500,000 common shares in the capital of the Corporation representing approximately 4.9% of the total issued shares. The bid commenced May 23, 2017 and will terminate on May 23, 2018. As at December 31, 2017, 240,500 shares have been repurchased for a total cost of \$140,879,

Subsequent to year-end an additional 14,000 shares were repurchased under the normal course issuer bid, and 400,000 shares were issued with the acquisition of Foothills creamery, at the market value of \$0.44 per share. As at the date of this MD&A, 30,703,756 shares were outstanding.

Off-Balance Sheet Arrangements

As at December 31, 2017, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

Related Party Information

In the year ended December 31, 2017 the Corporation earned \$100,000 in management fees from GlassMasters. As at December 31, 2017 \$26,500 was receivable in respect to these management fees. An additional \$46,730 was due to the Corporation from other shareholders of Golden Health Care related to the working capital adjustment required to be paid by the vendors of the September 1, 2017 acquisition.

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation for fiscal 2017 includes share-based compensation valued at \$70,764 awarded to the directors of the Corporation and cash remuneration of \$397,776 which was paid or payable to directors and officers of the Corporation.

Related party transactions are in the normal course of operations and are recorded at fair value.

Risks and Uncertainties

The following is a brief discussion of the factors which may have a material impact on our future business or financial performance.

Investment in associates

The Corporation's investments in associates are operated by an independent management team. The business success of these investments is to some extent dependent on the expertise and ability of the investment's management team to successfully operate the underlying businesses. While we rely on the judgment and operating expertise of the management of the

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

investments, we mitigate this risk by exercising prudent management oversight through our Board representation and relying on an operator that has a proven track record of operating the business.

Short operating history

We have only a short record of operating as an investment issuer and as such, we are subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that we will not achieve our financial objectives as estimated by management. Furthermore, past successes of management or the Board does not guarantee future success.

Available opportunities and competition for investments

Our business plan depends upon, among other things: (i) the availability of appropriate investment opportunities; (ii) our ability to identify, select and acquire successful investments; and (iii) our ability to generate or obtain funds for future investments. We expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as us, will likely have a longer operating history, may be better capitalized, have more personnel and have different return objectives. As a result, we may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit our ability to secure investments on acceptable terms or to generate desired returns.

There can be no assurance that we will have access to a sufficient number of suitable investment opportunities or that such investments can be made within a reasonable period of time. There can also be no assurance that we will be able to complete investments at acceptable prices or terms. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns will be diminished to the extent that we are unable to find and make a sufficient number of investments.

Concentration of investments

Other than as described herein, there are no restrictions or limits on the amount or proportion of our funds that may be allocated to any particular investment. We may participate in a limited number of investments and, as a consequence, our financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly-concentrated investment in a particular company, geographic area or industry resulting in the performance of Western depending significantly on the performance of such company, geographic area or industry. Currently, Western has four equity investments across three industry verticals and is are working to further diversify as we grow to reduce this risk.

Ability to secure adequate financing

We will have ongoing requirements for capital to support our growth and may seek to obtain additional funds for these purposes through public and private equity or through the incurrence of indebtedness. There are no assurances that we will be able to secure additional funding at all, on acceptable terms or at an acceptable level. Our liquidity and operating results, and our ability to make additional investments, may be adversely affected if our access to capital

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

markets or other sources of financing is hindered, whether as a result of a downturn in market conditions generally or to matters specific to us.

Dependence on management and directors

We will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and investment opportunities they are able to generate. Accordingly, our success may depend upon the continued service of these individuals to our business. The loss of the services of any of these individuals could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to secure investments, maintain or grow our assets and raise funds.

Investment evaluation

The due diligence process undertaken by Western in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, we will conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment and will be required to rely upon the accuracy and completeness of information supplied by potential investees. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment and we will be required to rely in part on such advisors' assessment of potential liabilities and risks associated with each investment. The due diligence investigation that is carried out by Western and our advisors with respect to any investment opportunity may not reveal or highlight all relevant risks or liabilities associated with the investment. Unforeseen risks or liabilities may have a material and adverse impact on our liabilities, profitability, results of operations and financial condition.

Trading volatility of common shares

Management of the Corporation cannot predict at what price its common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The market price of the common shares could be subject to significant fluctuations in response to variations in financial results, general trends in the industry and other factors, including extreme price and volume fluctuations which have been experienced by the securities markets from time to time. The illiquidity and fluctuation in market price may adversely affect our ability to raise additional funds through the issuance of common shares, which could have a material and adverse impact on our profitability, results of operations and financial condition.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

Subsequent Events

Acquisition of Ocean Sales Group Ltd.

On January 1, 2018, Western completed the acquisition of a 75% interest in the Ocean Sales group of companies ("Ocean Sales") through its wholly owned subsidiary Ocean Sales Group Ltd. which was incorporated on November 22, 2017 for the purposes of this acquisition. The total purchase price of the acquisition was approximately \$9.5 million, funded by equity and a \$5.1 million fixed term loan. Western's investment was made through a \$3.45 million cash equity contribution in Ocean Sales Group Ltd. Ocean Sales Group Ltd. obtained the \$5.1 million committed reducing term facility for the purposes of the acquisition in December 2017. On the acquisition date, January 1, 2018, the vendors of the acquired companies, obtained a 25% interest in Ocean Sales Group Ltd through their equity investment.

Ocean Sales is a specialty retailer that imports and sells a line of specialty retail products through unique marketing channels across North America. The Company markets high-quality, innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the US. The Company also benefits from a strategic relationship with a major Canadian retail chain, where it demonstrates a specially selected set of products within every location in Canada. Ocean Sales is currently developing a relationship with the US counterpart, expanding its demonstrations into a selection of locations in the US. The Company is headquartered in Calgary, Alberta and is supported by additional strategically located warehouses in Washington, Ontario, and Quebec. Ocean Sales has been operating for over 34 years and has a history of solid operating results and revenue growth. The addition of Ocean Sales to Western's portfolio brings a scalable business model without significant capex requirements. This along with expansion plans into the US brings significant potential for growth.

At December 31, 2017 Ocean Sales Group Ltd. was a wholly owned subsidiary of Western. As such its statement of financial position and results of operations for the year ended 2017 are included in Western's consolidated financials statements. A summary of the financial results of this subsidiary are outlined below:

Ocean Sales Group Ltd.	As at December 31, 2017
Cash held in trust	8,549,999
Accrued payables	49,400
Amounts due to Western	100,600
Current portion of long-term debt	510,000
Long term debt	4,540,000
Shareholders Equity	3,349,999
	Period from November 22, 2017 - December 31, 2017
Net loss	(100,000)

As of the acquisition on January 1, 2018 Western held a 75% interest in Ocean Sales. Although the majority shareholder, the terms of the shareholders agreement allow Western to appoint two

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

of five directors giving Western significant influence over Ocean but not control. As such, the Corporation will be accounting for its investment in Ocean Sales under the equity method going forward.

Acquisition of Foothills Creamery Ltd.

On February 28, 2018, Western, acquired a 50.4% interest in Foothills Creamery Ltd. The total purchase price for 100% of the Company was approximately \$24.16 million plus contingent consideration. The purchase was funded through a cash equity investment of Western and its partners, 400,000 common shares of Western with a deemed value of \$0.625 per share (market value at acquisition date of \$0.440 per share) and senior amortizing debt in the amount of \$17.86 million. Additional contingent consideration, up to a maximum amount of \$3.5 million, may be payable by Foothills to the vendor over four years by way of a performance based earn-out. Western's total equity investment in Foothills was \$3.325 million. Its partner obtained 40% equity interest, while the founder has retained 10% ownership in the business.

Western has majority ownership of Foothills however they appoint only two of five directors to the board and do not have the voting authority to pass decisions without majority board approval. This gives Western significant influence over Foothills but not control. As such, the Corporation will be accounting for its investment in Foothills under the equity method

Foothills is a producer and distributor of high quality butter and ice cream products with almost 50 years of operations in Western Canada. Headquartered in Calgary, Alberta it serves customers through a large grocery retail and food service network spanning across Western Canada, supported by two distribution facilities in Edmonton, Alberta, and Kelowna, BC. Foothills butter products are specially churned using only the freshest cream to produce a smooth textured product with exceptional taste. Target markets for its butter products include grocery retailers, and the food service industry including commercial kitchens and bakeries. Foothills' ice cream is differentiated with natural and fresh ingredients, along with a sweet buttermilk base from its butter churns that produce richer and creamier ice cream.

Western believes Foothills to have a solid and stable business model with a well recognized brand, loyal customers, and a history of remarkable growth. The industry could benefit from current projected trends of consumers buying food from local producers, and an increase in the consumption of butter. Foothills has recently moved into a new modern production facility with surplus processing capacity.

Western operating line of credit

On February 20, 2018 the Corporation obtained a demand revolving operating loan facility to the maximum amount of \$1,500,000, with the potential for an additional \$500,000 available on request, subject to the deliverable of various share pledges. The facility bears interest at the bank's prime rate plus 2% per annum and carries a standby fee of 0.2% per annum on the unused portion. The line was obtained firstly to be used toward the purchase price of Foothills Creamery Ltd., and secondly towards general corporate operating purposes. Security includes a share pledge agreement in respect to the Corporations interest in its subsidiaries.

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis
For the year ended December 31, 2017

Proposed transactions

As at December 31, 2017, and up to the date of this MD&A, there were no proposed transactions of the Corporation, other than as disclosed herein.

Critical Accounting Estimates and Accounting Policies

For a detailed summary of the Corporation's accounting policies, the reader is directed to the notes to the financial statements of the Corporation for the year ended December 31, 2017 available on SEDAR at www.sedar.com

Financial Instruments and Risk Management

The Corporation, as part of its operations, is exposed in varying degrees to a variety of risks from the use of financial instruments, which mainly include cash and cash equivalents, amounts due from related parties, accounts payable and accrued liabilities, and loans and borrowings. Risk management strategies are established to identify and analyze risks faced, and to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. As a result of the use of the above mentioned financial instruments, we are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. A detailed assessment of each of these risks is presented in the notes to the financial statements for the year-ended December 31, 2017 to be read in conjunction with this MD&A.

Cautionary Note Regarding Forward Looking Information

Certain statements contained in this document constitute "forward-looking information". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Corporation's management, are intended to identify forward-looking information. Such statements reflect the Corporation's forecasts, estimates and expectations, as they relate to the Corporation's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Corporation does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

Description of Non-IFRS Measures

The Corporation uses accounting principles that are accepted in Canada under the International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS, including the non-IFRS measures "Net Income (Loss) Normalized for Portfolio Investment Operations" (NPIO).

NPIO removes from Net Income certain after-tax expenses incurred by the Corporation that relate directly to the finding and executing of new acquisitions. Western is currently not taxable

The Western Investment Company of Canada Limited.

Management's Discussion and Analysis

For the year ended December 31, 2017

and as such no adjustment in tax was recorded to NPIO however this will change in the future once Western becomes profitable. A reconciliation of the Corporation's Net Income to NPIO is as follows:

in C\$000s	Three Months ended December 31, 2017	Year ended December 31, 2017
Net loss - per IFRS	(\$401,075)	(\$434,397)
Acquisition related expenses	\$222,404	\$503,132
NPIO	(\$178,671)	\$68,735

The Corporation's method of calculating these non-IFRS measures may differ from other issuers, and therefore may not be comparable to similar measures presented by other reporting issuers. These non-IFRS financial measures are included because management uses this information to analyze operating performance. Readers are cautioned that these non-IFRS financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Comparative numbers for the prior fiscal year, 2016, are not available as the Corporation did not track acquisition related expenditures as that time.