

# THE WESTERN INVESTMENT COMPANY OF CANADA

MANAGEMENT DISCUSSION & ANALYSIS  
For the year ended December 31, 2016

The following management's discussion and analysis ("MD&A") should be read in conjunction with the year-end consolidated financial statements and notes thereto for the year ended December 31, 2016 (the "financial statements") as well as the financial statements for the year ended December 31, 2015. This MD&A was prepared by management of The Western Investment Company of Canada Limited (the "Corporation" or "Western"), and was approved by the Board of Directors on April 28, 2017. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **BASIS OF PRESENTATION**

The financial statements as at and for the year ended December 31, 2016 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All financial information is in Canadian dollars, unless otherwise indicated, and, as it relates to financial results in the MD&A, has been derived from information used to prepare the financial statements under IFRS.

## **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.

## **OVERALL PERFORMANCE**

### **BUSINESS OF THE WESTERN INVESTMENT COMPANY OF CANADA LIMITED**

Western's strategy is to acquire a diversified portfolio of established Western Canadian private businesses and create value through the identification, acquisition and long term ownership of private businesses with sustained cash flows and strong potential for organic growth.

Western's targeted industry verticals aligns 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 size is between \$10 million to \$100 million and it will consider equity ownership between 30% to 100%. Western will prospect acquisitions from: (i) ownership succession; (ii) private equity and corporate divestitures; (iii) network and contact opportunities; and (iv) mid-market sell side.

Western closed its qualifying transaction ("Qualifying Transaction") on December 16, 2016 and subsequently ceased being a capital pool company. Its common shares resumed trading on the TSX-V on December 20, 2016 under the trading symbol WI.

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## BUSINESS OF GLASSMASTERS ARG AUTOGLASS THREE INC.

On December 16, 2016, the Corporation completed its Qualifying Transaction, which resulted in a 50.1% equity investment in GlassMasters ARG Autoglass Three Inc. ("GlassMasters"). The Corporation has accounted for its investment in GlassMasters under the equity method. GlassMasters is an automotive glass service company providing repair and replacement of windshields, side windows, side mirrors, rear windows and sun roofs ("Service Division") and an automotive glass warehouse that imports 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.

The Service Division sells to retail and account based customers. Account based customers are comprised of dealerships, auto-body shops, fleet companies and car rental companies. Services are provided at seven retail locations as well as by 22 mobile repair and installation units. Approximately 85% to 90% of the Wholesale Division's sales are to the Service Division from its two locations in Calgary and Edmonton. The balance is sold to other retailers in Alberta. Summarized financial information of GlassMasters (100%) and the Corporation's investment in GlassMasters have been disclosed in the notes to the financial statements for the year ended December 31, 2016.

## SELECTED ANNUAL FINANCIAL HIGHLIGHTS

The financial results of the Corporation for the year ended December 31, 2016 and the period from October 28, 2015 to December 31, 2015 are summarized as follows:

As at and for the period ended December 31 (in Canadian \$ thousands except for per share amounts)	2016	2015 <sup>1</sup>	2016 vs. 2015 % Change
Total Revenue	\$0	\$0	n/a
Total Expenses	\$1,583.8	\$34.9	4,336%
Net Income (Loss)	(\$1,583.8)	(\$34.9)	4,336%
Earnings (Loss) per Share - Basic	(\$0.16)	(\$0.02)	700%
Earnings (Loss) per Share - Diluted	(\$0.16)	(\$0.02)	700%
Total Assets	\$4,113.9	\$476.9	770%
Total Long Term Liabilities	\$0	\$0	n/a

1) From October 28, 2015 to December 31, 2015

Material components of expenditures of the Corporation for the period ended December 31, 2016 and 2015 have been disclosed in the financial statements for the year ended December 31, 2016.

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## SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION

In C\$000s except for per share amounts	Three months ended Dec 31, 2016	Three months ended Sept 30, 2016	Three months ended June 30, 2016	Three months ended Mar 31, 2016	Period ended Dec 31, 2015
Total Revenue	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$748.0	\$73.8	\$106.4	\$655.6	\$34.9
Net Income (Loss)	(\$748.0)	(\$73.8)	(\$106.4)	(\$655.6)	(\$34.9)
Earnings (Loss) per Share - Basic	(\$0.07)	(\$0.01)	(\$0.01)	(\$0.12)	(\$0.02)
Earnings (Loss) per Share – Diluted	(\$0.07)	(\$0.01)	(\$0.01)	(\$0.12)	(\$0.02)
Total Assets	\$4,113.9	\$4,279.3	\$4,366.1	\$4,407.8	\$476.9
Total Long Term Liabilities	\$0	\$0	\$0	\$0	n/a

### DISCUSSION OF OPERATIONS

During the three months and year ended December 31, 2016, the Corporation recorded expenses of \$747,983 and \$1,583,829, respectively.

For the three months ended December 31, 2016, expenses included professional fees such as legal, accounting and consulting expenses of \$525,853, loss from equity investment in GlassMasters of \$222,130 due to transaction closing costs incurred by GlassMasters and other expenses relating to the Corporation's Qualifying Transaction.

For the year ended December 31, 2016, expenses included \$637,932 in share based compensation expense for directors, \$534,815 due to non-recurring Qualifying Transaction expenses, \$222,130 loss from equity investment in GlassMasters due to transaction closing costs incurred by GlassMasters, \$116,661 of legal and accounting fees, other expenses relating to ongoing operations of \$53,987 and regulatory fees of \$18,304. Western was successful in negotiating \$280,942 in reimbursement of expenses from GlassMasters thus reducing the Corporation's 2016 overall expenses.

As of December 31, 2016, the Corporation has current assets of cash and due from related party in the amount of \$45,067 and \$280,942, respectively, and a non-current investment in associate of \$3,787,870, which pertains to the Corporation's 50.1% interest in GlassMasters.

The Corporation will continue to incur expenses as it progresses with the pursuit of other potential assets and/or businesses for purchase.

### DISCLOSURE OF OUTSTANDING SHARE DATA

On February 24, 2016, the Corporation completed its initial public offering of 9,000,000 common shares without par value, bringing the total amount issued and outstanding from 2,000,000 to 11,000,000 common shares without par value. On December 16, 2016, Western issued 443,006 common shares to four consultants in lieu of cash payment for consulting services. As at the date of this MD&A, the following is a description of the outstanding securities of the Corporation:

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	<u>Authorized</u>	<u>Outstanding</u>
Common shares, without par value	Unlimited common shares	30,550,256
Preferred shares, without par value	Unlimited preferred shares	Nil
Stock options convertible into common shares	Options granted to Directors, Officers, employees and consultants of the Corporation up to acquire up to 10% of the issued and outstanding common shares	Directors' and Officers' options to acquire up 960,000 common shares at an exercise price of \$0.50 for a period of 10 years  Directors options to acquire up to 140,000 common shares of the Corporation at an exercise price of \$0.56 for a period of 10 years  Directors options to acquire up to 30,000 common shares of the Corporation at an exercise price of \$0.65 for a period of 10 years Agent options to acquire up to 900,000 common shares at an exercise price of \$0.50 for a period of two years

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Corporation had net working capital of \$3,639 (defined as cash and cash equivalents of \$45,067 plus amounts due from related parties of \$280,942 less accounts payable and accrued liabilities of \$322,370).

Western entered into a bought deal offering by way of short form prospectus at a price of \$0.65 per common share. Pursuant to the offering and the over-allotment option, the Corporation has issued a total of 19,107,250 common shares for aggregate gross proceeds of \$12,419,713 excluding underwriters' commission and expenses.

Western has significant influence over GlassMasters given Western has two out of seven board seats however Western does not control GlassMasters therefore potential distributions are not certain. In addition, as part of its loan agreement with TD and First West Capital, shareholder distributions are permitted as long as GlassMasters is in compliance with the financial covenants.

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in Canadian \$ thousands except for per share amounts	Year ended December 31, 2016	Period ended December 31, 2015
Cash flows used in operating activities	(\$438.2)	(\$5.3)
Cash flows used in investing activities	(\$4,010.0)	-
Cash flows from financing activities	\$4,016.4	\$382.2
Increase (decrease) in cash and Cash equivalents	(\$431.8)	\$376.9
Cash and cash equivalents - Beginning of Period	\$476.9	\$100.0
Cash and cash equivalents - End of Period	\$45.1	\$476.9

On February 22, 2017, the Corporation closed a bought deal common share offering. Pursuant to the offering and underwriter over-allotment option, the Corporation issued a total of 19,107,250 common shares at a price of \$0.65 per share, for aggregate gross proceeds of \$12.4 million, excluding expenses of the offering.

## OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

## TRANSACTIONS BETWEEN RELATED PARTIES

As at December 31, 2016, and up to the date of this MD&A, the Corporation had one related party transaction with respect to a \$280,942 reimbursement of expenses for the Qualifying Transaction from GlassMasters, which was reflected as a due from related party in the financial statements for the year ended December 31, 2016. This amount has been subsequently collected by Western. Share based compensation awarded to directors of the Corporation has been disclosed in the notes to the financial statements for the year ended December 31, 2016.

## PROPOSED TRANSACTIONS

As at December 31, 2016, 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 & CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

As at December 31, 2016, the Corporation was a "venture issuer" as that term is defined in National Instrument 51-102 Continuous Disclosure Obligations, and as such is not required to provide the information pertaining to the critical accounting estimates of the Corporation.

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, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

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## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Corporation's financial instruments consist of cash and cash equivalents, due from related party, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values in the financial statements for the year ended December 31, 2016, unless otherwise noted. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

## **RISKS AND UNCERTAINTIES**

As at December 31, 2016, and up to the date of this MD&A, there is an additional risk in addition to those disclosed herein.

## **INVESTMENT IN ASSOCIATE**

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