The Western Investment Company of Canada Limited

Consolidated Interim Financial Statements
(Unaudited)
June 30, 2017

Notice of no Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of The Western Investment Company of Canada Limited for the interim reporting period ended June 30, 2017, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

The Corporation's independent auditors, PricewaterhouseCoopers LLP, have not performed a review of these unaudited consolidated interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Financial Position
(Unaudited)

	As at June 30, 2017 $	As at December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	11,239,103	45,067
Due from related party (note 8)	26,250	280,942
Prepaids	7,500	-
	11,272,853	326,009
Investment in associate (note 4)	4,126,639	3,787,870
Total assets	15,399,492	4,113,879
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	65,660	322,370
Total liabilities	65,660	322,370
Shareholders' Equity		
Share capital (note 5)	15,857,176	4,428,456
Treasury shares (note 5)	(5,325)	-
Contributed surplus	1,052,586	981,822
Deficit	(1,570,605)	(1,618,769)
Total equity attributable to common shareholders	15,333,832	3,791,509
Total liabilities and equity attributable to common shareholders	15,399,492	4,113,879

Subsequent events (note 9)

Approved by the Board of Directors

"Scott Tannas" Director "Richard Moore" Director

The accompanying notes are an integral part of these financial statements.

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Comprehensive Income (Loss)
(Unaudited)

	For the three months ended June 30, 2017 $	For the three months ended June 30, 2016 $	For the six months ended June 30, 2017 $	For the six months ended June 30, 2016 $
Income				
Income from equity investment (note 4)	327,496	-	338,769	-
Interest income	18,816	-	18,816	-
Management fees (note 8)	25,000	-	50,000	-
	371,312	-	407,585	-
Expenses				
Legal	15,134	15,644	27,067	74,572
Regulatory	25,352	2,783	45,401	13,988
Other expenses	20,567	16,014	57,039	18,029
Accounting	11,933	5,714	54,283	14,964
Consulting	91,303	2,520	104,867	2,520
Share-based compensation expense (note 5)	70,764	63,756	70,764	637,932
	235,053	106,431	359,421	762,005
Net income (loss) and comprehensive income (loss) for the period	136,259	(106,431)	48,164	(762,005)
Net income (loss) per share				
Basic	0.004	(0.010)	0.002	(0.092)
Diluted	0.004	(0.010)	0.002	(0.092)
Weighted average number of shares outstanding				
Basic	30,550,256	11,000,000	25,060,880	8,314,917
Diluted	30,943,907	11,000,000	25,509,496	8,314,917

The accompanying notes are an integral part of these financial statements.

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Changes in Equity

(Unaudited)

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Deficit $	Total $
Balance – December 31, 2016	11,443,006	4,428,456	-	981,822	(1,618,769)	3,791,509
Issuance of common shares	19,107,250	12,419,713	-	-	-	12,419,713
Deferred share issuance costs	-	(990,993)	-	-	-	(990,993)
Share repurchases	-	-	(5,325)	-	-	(5,325)
Issuance of share based compensation	-	-	-	70,764	-	70,764
Net income (loss) and comprehensive income (loss) for the period	-	-	-	-	48,164	48,164
Balance – June 30, 2017	30,550,256	15,857,176	(5,325)	1,052,586	(1,570,605)	15,333,832

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Deficit $	Total $
Balance – December 31, 2015	2,000,000	468,000	-	-	(34,940)	433,060
Issuance of common shares	9,000,000	4,500,000	-	-	-	4,500,000
Deferred share issuance costs	-	(827,498)	-	-	-	(827,498)
Issuance of share based compensation	-	-	-	981,822	-	981,822
Net income (loss) and comprehensive income (loss) for the period	-	-	-	-	(762,005)	(762,005)
Balance –June 30, 2016	11,000,000	4,140,502	-	981,822	(796,945)	4,325,379

The accompanying notes are an integral part of these financial statements.

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Cash Flows

(Unaudited)

	For the six months ended June 30, 2017 $	For the six months ended June 30, 2016 $
Cash provided by (used in)		
Operating activities		
Net income (loss) and comprehensive income (loss) for the period	48,164	(762,005)
Movement in working capital	(9,517)	(3,105)
Adjustments for non-cash items		
Income from equity investment (note 4)	(338,769)	-
Share-based compensation expense	70,764	637,932
Cash used in operating activities	(229,358)	(127,178)
Financing activities		
Proceeds from issuance of shares (note 5)	12,419,713	4,500,000
Share issuance costs	(990,994)	(483,608)
Repurchase of shares	(5,325)	-
Cash provided by financing activities	11,423,394	4,016,392
Increase in cash and cash equivalents	11,194,036	3,889,214
Cash and cash equivalents – Beginning of period	45,067	476,875
Cash and cash equivalents – End of period	11,239,103	4,366,089
Supplemental information		
Income taxes paid	-	-
Interest paid	-	-

The accompanying notes are an integral part of these financial statements.

1 Incorporation

The Western Investment Company of Canada Limited ("Western" or the "Corporation") was incorporated pursuant to the provision of the Business Corporations Act (Alberta) on October 28, 2015. The Corporation was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"), until the Corporation completed its qualifying transaction on December 16, 2016 (note 2). The Corporation's common shares began trading on December 20, 2016 and are listed on the TSX Venture under the stock symbol WI.

2 Nature of operations and continuance of operations

Western

The head office and principal address of the Corporation is 1010 24th Avenue S.E., High River, Alberta T1V 2A7 and the address of the registered office is Suite 1600, Dome Tower, 333 – 7th Avenue S.W., Calgary, Alberta T2P 2Z1.

These unaudited condensed consolidated interim financial statements ("interim financial statements") of the Corporation for the period ended June 30, 2017 were approved and authorized for issuance by the Corporation's Board of Directors on August 24, 2017.

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. **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.**

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 enterprise value is between $10 million to $100 million and it will consider equity 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.

Where an acquisition is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent on the ability of the Corporation to obtain additional financing.

GlassMasters – Equity Investment

On December 16, 2016, the Corporation closed its qualifying transaction with the purchase of a 50.1% interest in GlassMasters ARG Autoglass Three Inc., which owned 100% of GlassMasters ARG Autoglass Two Inc. As of January 1, 2017, GlassMasters ARG Autoglass Three Inc. was amalgamated with GlassMasters ARG Autoglass Two Inc. resulting in one legal entity GlassMasters ARG Autoglass Two Inc. ("GlassMasters").

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. The majority of the Wholesale Division's sales are to the Service Division from its two locations in Calgary and Edmonton. The remaining balance of the Wholesale Division's sales are to other retailers in Alberta.

3 Basis of preparation

Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied in these interim financial statements are the same as those applied in the Corporation's consolidated financial statements for the year ended December 31, 2016, except as described in the notes to the interim financial statements. The interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

The interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the CPA Canada for a review of interim financial statements by the entity's auditor.

Basis of measurement

These interim financial statements are presented in Canadian dollars which is the Corporation's functional currency, and were prepared on a going concern basis, under the historical cost convention.

Recent accounting pronouncements

IFRS 16, Leases

In January, 2016, the IASB issued IFRS 16, "Leases", which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting the standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of the standard on its financial statements.

IFRS 9, Financial Instruments

IFRS 9 is the new standard on classification, measurement and impairment of financial assets and liabilities that will replace IAS 39, "Financial Instruments: Recognition and Measurements". The latest version of IFRS 9 was issued in July, 2014. The package of improvements introduced by IFRS 9 includes a revised model for classification and measurement based on business model and cash flow tests, a single, forward-looking 'expected loss' impairment model and a substantially revised risk based approach to hedge accounting. IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of the standard on its financial statements.

4 Investment in associate

The investment in associate balance consists of:

	June 30, 2017 $	December 31, 2016 $
Western's interest in GlassMasters ARG Autoglass Two Inc.	4,126,639	3,787,870

Western completed its qualifying transaction when it acquired 4,010,000 common shares in GlassMasters (note 2). As at June 30, 2017 and December 31, 2016, the Corporation holds a 50.1% interest in GlassMasters and has two of seven directors appointed to the GlassMasters board of directors. The investment has been classified as an investment in associate, and therefore has not been consolidated, as control of the investment has not been met due to the Corporation's board representation and other contractual terms.

Through the extent of its share ownership and its seats on the board of directors, the Corporation has the ability to exercise significant influence over GlassMasters and accordingly, the Corporation is using the equity method to account for this investment.

A summary of the investment in GlassMasters is as follows:

	$
Balance – December 31, 2016	3,787,870
Western's share of GlassMasters' net income	338,769
Balance – June 30, 2017	4,126,639

As part of the Corporation's qualifying transaction, under the terms of its asset purchase agreement, GlassMasters has agreed to pay contingent consideration to the vendor under certain circumstances. The consideration consists of payments by GlassMasters for performance conditions, including: gross profit generated over the next 4 years (up to a maximum of $0.75 million) and expansion valuation premium payments ($200,000 per location), subject to minimum gross profit targets being achieved. The estimated fair value of this contingent consideration payable recognized by GlassMasters (100%) is $1,368,080, which was estimated using probability-weighted discounted future cash flows.

The following table is a summary of the financial information of GlassMasters (100%) as at June 30, 2017 and as at December 31, 2016. Profit and loss information of GlassMasters (100%) is provided for the three months ended June 30, 2017. A reconciliation of GlassMasters summarized financial information to the Corporation's carrying value of the investment is also included.

	At June 30, 2017 $	At December 31 2016 $
Total current assets	5,137,774	4,987,979
Total non-current assets	14,705,138	14,616,758
Total current liabilities	2,372,456	2,422,305
Total non-current liabilities	9,227,168	9,615,771
Total net assets	8,243,387	7,566,661

	For the three months ended June 30, 2017 $	For the six months ended June 30, 2017 $
Revenue	6,124,219	9,957,920
Net income	654,225	676,726
Other comprehensive income (loss)	-	-

Reconciliation of GlassMasters net assets to Western carrying value

Net assets of GlassMasters – December 31, 2016	7,566,661
Net income	676,726
Net assets of GlassMasters – at June 30, 2017	8,243,387
Western ownership interest	50.06%
Investment in GlassMasters	4,126,639

Under the terms of GlassMasters credit facilities, shares in GlassMasters (100%) have been pledged as collateral from the owners of the shares, including the Corporation, and certain financial covenants have been placed on GlassMasters' ability to provide distributions to its equity investors, including the Corporation.

5 Share capital

Authorized

Unlimited number of common shares, without par value
Unlimited number of preferred shares, without par value

Issued

During the six months ended June 30, 2017, 19,107,250 common shares were issued at a price of $0.65 per share (June 30, 2016 – 11,000,000 at $0.50 per share), for aggregate gross proceeds of $12,419,713 (June 30, 2016 - $4,500,000) excluding underwriters' commission and expenses. There were no common shares issued in the three months ended June 30, 2017 or June 30, 2016. There were no preferred shares issued during the period.

Escrow

A total of 2,139,000 common shares were deposited in escrow pursuant to the terms of two escrow agreements. These common shares are being released from escrow in stages over a period of 18 months after the date of the Final Exchange Bulletin dated December 16, 2016, pursuant to the Corporation's qualifying transaction. Twenty-five percent of the shares (534,750) have been released from escrow on December 16, 2016 and 534,750 shares have been released from escrow on June 19, 2017 resulting in 1,069,500 shares remaining in escrow as at June 30, 2017. A further 25% are expected to be released from escrow on December 16, 2017.

Stock option plan

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 10 years.

In 2016, the Corporation granted 960,000 incentive stock options to its directors which are exercisable for a period of ten years from the date of the grant at an exercise price of $0.50 per share. Pursuant to the Corporation's IPO, the Corporation also granted the Agent an option to purchase up to 900,000 shares at a price of $0.50 per share for a period of two years. With the addition of a new Director on April 6, 2016, 140,000 incentive stock options were granted at an exercise price of $0.56 per share and which are exercisable for a period of 10 years from the date of grant. In 2017, the Corporation granted 30,000 incentive stock options on April 21, 2017 and 180,000 on June 19, 2017. The 2017 stock options were granted to directors at an exercise price of $0.65 per share and are exercisable for a period of 10 years from the date of grant. For the three and six months ended June 30, 2016, shares issuable under the Corporation's stock option plan have been excluded from diluted earnings per share as the effect is anti-dilutive.

During the three and six months ended June 30, 2017, share based compensation expense of $70,764 and $70,764 respectively (June 30, 2016 – $63,756 and $637,932) was recorded for the stock options granted to directors. For the three and six months ended June 30, 2017, share based compensation expense of $nil and $nil (June 30, 2016 – $nil and $343,890) was charged directly to share capital as a share issuance cost for the options granted to the agent. All options are settled in Western common shares. Amounts were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	0.47% – 1.52%
Vesting period	nil
Expected life of stock option	2 – 10 years
Volatility	50% – 70%
Dividends	-

The following stock options were outstanding as of June 30, 2017:

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	960,000	8.65	0.5981
February 24, 2018 – agent options	0.50	900,000	0.65	0.3821
April 6, 2026	0.56	140,000	8.77	0.4554
April 21, 2027	0.65	30,000	9.81	0.3914
June 19, 2027	0.65	180,000	9.97	0.3279

Share repurchase

As of May 23, 2017, the Corporation obtained regulatory approval to proceed with a normal course issuer bid (the “Bid”) whereby Western may purchase up to a total of 1,500,000 common shares in the capital of the Corporation (“Common Shares”) representing approximately 4.9% of the 30,550,256 Common Shares currently issued and outstanding.

The Bid commenced on May 23, 2017 and will terminate on May 23, 2018. All acquisitions of Common Shares by the Corporation pursuant to the Bid will be made through the facilities of the Exchange at the market price of the Common Shares at the time of the acquisition.

On June 26, 2017, 9,500 Common Shares were repurchased at a price of $5,325. These shares were held in treasury at June 30, 2017 and were cancelled subsequent to the period end.

6 Capital management

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a purchase of assets, a business, or an interest therein.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital and acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at period end, except for common shares held in escrow pursuant to the terms of an escrow agreement (note 5).

7 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments, except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of accounts payable and accrued liabilities approximate its fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Due to the nature of cash being held with a major Canadian bank, the Corporation believes it has no significant credit risk. Amounts due from related parties are not significant in nature and as such credit risk is considered low.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Corporation had a cash balance of $11,214,735 (December 31, 2016 – $45,067). All of the Corporation's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest rate risk

The Corporation has cash balances that bear interest at 0.8% per annum at a fixed rate, and as such are not exposed to any significant interest rate risk.

b) Foreign currency risk

The Corporation does not have assets or liabilities denominated in a foreign currency.

8 Related party transactions

As at June 30, 2017, $nil (December 31, 2016 – $280,942) is due from GlassMasters for its share of the qualifying transaction expenses. As at June 30, 2017, $26,250 (including $1,250 GST) is due from GlassMasters for management fees (December 31, 2016 – $nil). In accordance with the terms of a management fee agreement, Western earns a management fee from GlassMasters of $100,000 in 2017, paid out on a quarterly basis.

Key management of The Western Investment Company of Canada Limited includes the Corporation's directors. During the six months ended June 30, 2017, $24,000 was paid to the directors as consulting expenses (June 30, 2016 – $nil). No other compensation has been payable to key management of the Corporation (June 30, 2016 – $nil).

9 Subsequent events

On August 9, 2017 the Corporation announced it signed a non-binding Letter of Intent ("LOI") whereby the Corporation intends to acquire a 30% interest in three personal care homes, located in Saskatchewan. The cost of this acquisition is approximately $5 million with a definitive purchase agreement expected to close by September 1, 2017. The Corporation continues to evaluate the project and negotiate a definitive acquisition agreement.