

THE  
**WESTERN INVESTMENT**  
COMPANY OF CANADA LIMITED

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

**Quarterly Highlights**

For the period ended June 30, 2017

Dated: August 24, 2017

## Introduction

The Western Investment Company of Canada (“Western” or the “Company”) is an investment company based in Western Canada. Its common shares trade on the TSX-V under the trading symbol WI. 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.

The interim MD&A provides a brief update on the Company’s business activities, financial condition, financial performance and cash flow since December 31, 2016, and excludes information discussed in its most recent annual MD&A. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars. The discussion should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the six-month period ended June 30, 2017, the audited annual consolidated financial statements of the Company for the year ended December 31, 2016, and the MD&A of the Company for the year ended December 31, 2016. The MD&A was prepared by management of Western and was approved by the Board of Directors on August 24, 2017. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Key Highlights for the period ended June 30, 2017

- Western reports its first profitable quarter since its inception. Net Income and Net Income Normalized for Portfolio Investment Operations (“NPIO”) for the three months ended June 30, 2017 was \$136,259 (\$0.004 EPS) and \$184,451 (\$0.006 EPS). The NPIO metric removes \$48,192 after-tax in expenditures from Net Income that are related to acquisition activity. Management believes NPIO provides investors with important information on the Company’s ongoing operations excluding new acquisition expenses. For more information on NPIO see ‘Description of Non-IFRS Measures’ section of this MD&A.
- The Company’s financial results include revenue from its first equity investment, a 50.1% interest in GlassMasters ARG Autoglass Two Inc (“GlassMasters”). Revenues and EBITDA of GlassMasters for the six months ended June 30, 2017 increased 10% and 12% respectively from the same period in 2016. GlassMasters management continues to pursue expansion opportunities and plans to open between one to three new retail locations in 2018.

- Western is actively marketing its investment strategy across Western Canada to seek out new opportunities. The efforts to identify, assess and negotiate acquisitions will show itself in subsequent quarters as evidenced by the recent Golden Health Care partnership (please see section below Golden Health Care Partnership for details). The Company has a robust pipeline of potential transactions and is confident it will enter into new partnerships with strong and profitable Western Canadian based companies by the end of the fiscal year.
- Western bolstered its cash position through an equity financing which closed February 22, 2017. 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.

### **Review of Western Operations and Financial Results**

During the three months ended June 30, 2017 the Corporation recorded equity income of \$327,496 relating to the 50.1% equity pick-up from GlassMasters, revenue of \$25,000 for the Q2 management fee from GlassMasters and \$18,816 in interest income on the cash balance held in savings. Expenses of \$235,053 were recorded and included professional fees such as legal, accounting and consulting expenses of \$118,370, regulatory fees of \$25,352, stock based compensation of \$70,764, and other expenses of \$20,567 primarily incurred for education and travel. During the three months ended June 30, 2016, Western had a net loss of \$106,431 consisting of share based payment expense of \$63,756 for the share options granted to directors and officers, professional fees of \$23,878, regulatory fees of \$2,783 and other expense of \$16,014.

As of June 30, 2017, the Corporation has current assets of cash, due from related party and prepaid amounts in the amount of \$11,239,103, \$26,250, and \$7,500 respectively, and a non-current investment in associate of \$4,126,639 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.

## Summary of Western's Quarterly Financial Information

in C\$000s except for per share amounts	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016
Total Income	\$371.3	\$36.3	\$0.0	\$0	\$0
Operating Expenses	\$235.1	\$124.4	\$748.0	\$73.8	\$106.4
Net Income (Loss) NPIO <sup>1</sup>	\$184.5	(\$88.1)	(\$748.0)	(\$73.8)	(\$106.4)
Net Income (Loss)	\$136.3	(\$88.1)	(\$748.0)	(\$73.8)	(\$106.4)
<b>Earnings (Loss) per Share NPIO<sup>2</sup>:</b>					
- Basic	\$0.006	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)
- Diluted	\$0.006	(\$0.004)	(\$0.068)	(\$0.007)	(\$0.010)
<b>Earnings (Loss) per Share:</b>					
- Basic	\$0.004	(\$0.005)	(\$0.068)	(\$0.007)	(\$0.010)
- Diluted	\$0.004	(\$0.004)	(\$0.068)	(\$0.007)	(\$0.010)
Total Assets	\$15,339.5	\$15,340.3	\$4,113.9	\$4,279.3	\$4,366.1
Total Long-Term Liabilities	\$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

## Summary of Equity Investment – GlassMasters

The Corporation has a 50.1% equity investment in GlassMasters ARG Autoglass Two Inc. ("GlassMasters"). GlassMasters 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 has two out of seven Board seats, however this does not give Western control of GlassMasters. As such, the Corporation has accounted for its investment in GlassMasters under the equity method. 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 period ended June 30, 2017.

During the first six months of 2017, GlassMasters' revenue and EBITDA increased 10% and 12% respectively compared to the same period last year, largely as a result of strong management leading to increased volume and a moderately stronger Alberta economy. GlassMasters' management continues to pursue its expansion plans to open new locations within the Western Canadian region. GlassMasters has signed new leases to relocate their existing warehouse operations to a new larger Edmonton warehouse scheduled for Q3 2017. GlassMasters management are actively seeking additional retail locations to expand throughout Alberta, BC, and Saskatchewan and expects to open between one and three new retail

locations in 2018. GlassMasters' business is seasonal and peaks during Q2 and Q3 during the summer driving months. Based on the seasonality of GlassMasters' operations, readers are cautioned not to weigh quarterly financial data equally for all quarters.

### **Liquidity and Capital Resources**

As at June 30, 2017, the Corporation had cash and cash equivalents of \$11,239,103 and working capital of \$11,207,193 available to fund investment opportunities. Being in its inception phase, the Corporation currently generates 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 six months ended June 30, 2017 the company used \$229,358 (June 30, 2016 - \$127,178 used) in cash in operating activities, and raised \$11,423,394 (June 30, 2016 - \$4,016,392 raised) in cash from financing activities which related to the issuance of shares.

### **Outstanding Share Data**

On February 22, 2017, 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.

For the six months ended June 30, 2017, 210,000 stock options with an exercise price of \$0.65 were issued to directors as part of the Company's incentive stock option plan. This brings the total amount of stock options outstanding as at June 30, 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 have been issued to the Corporation's directors in lieu of cash compensation.

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 currently issued and outstanding shares. To date 9,500 shares were repurchased on June 26, 2017 and 44,000 on August 14, 2017.

### **Related Party Information**

In the three months ended June 30, 2017, and up to the date of this MD&A, the Corporation earned \$25,000 in Management Fee's from GlassMasters. Share based compensation valued at \$70,764 was awarded to the six directors of the Corporation.

### **Risks and Uncertainties**

The Annual MD&A sets out a brief summary of certain risk factors that may have a material impact on the Company's future financial performance. No significant changes to those risk factors have occurred to the date of this report.

### **Proposed Partnership with Golden Health Care Inc.**

On August 8, 2017, Western announced it has signed a Letter of Intent ("LOI") to enter into a strategic partnership with Golden Health Care Inc. The LOI;

- i) outlines the terms for the purchase of a 30% equity interest in three seniors care homes in Saskatchewan from Golden Health Care and certain other site-specific shareholders. The homes are in the communities of Prince Albert, Estevan, and the Regina suburb of Emerald Park;
- ii) grants Western a one-year option to acquire a 30% equity interest in undeveloped land owned by Golden Health Care in Yorkton, Saskatchewan. This parcel of land is currently undergoing an assessment and feasibility study for a multi-stage housing development for seniors; and
- iii) commits Golden Health Care and Western to work together on a best efforts basis 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 into new communities.

The total value of the transaction is approximately \$5 million, payable in cash at closing. The LOI contains a number of conditions to closing, including approvals from the board of directors of both parties, the completion of due diligence, entering into a mutually acceptable purchase and sale agreement, and all regulatory approvals including the approval of the TSX Venture Exchange. The parties have agreed to work toward a closing by September 1, 2017.

### **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 Company 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), "Earnings Per Share Normalized for Portfolio Investment Operations" and "EBITDA".

EBITDA for both our corporate head office and investees is defined as earnings before interest, taxes, non-cash items such as depreciation and amortization. NPIO removes from Net Income certain after-tax expenses incurred by the Company that relate directly to the finding and executing of new acquisitions. Western is currently not taxable, no adjustment in tax was recorded to NPIO however this will change in the future once Western pays taxes. A reconciliation of the Company's Net Income to NPIO is as follows:

in C\$000s	Six Months ended June 30, 2017	Three Months ended June 30, 2017
Net Income - per IFRS	\$ 48.2	\$ 136.3
Acquisition related expenses (after tax)	\$ 48.2	\$ 48.2
Net Income NPIO	\$ 96.4	\$ 184.5

The Company'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.