

# THE WESTERN INVESTMENT COMPANY OF CANADA

MANAGEMENT DISCUSSION & ANALYSIS  
for the period ended September 30, 2016

The following management's discussion and analysis ("MD&A") should be read in conjunction with the interim financial statements and notes thereto for the period ended September 30, 2016 (the "financial statements") as well as the financial statements for the period ended December 31, 2015. This MD&A was prepared by management of The Western Investment Company Of Canada Limited (the "Corporation"), and was approved by the Board of Directors on October 31, 2016. Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **BASIS OF PRESENTATION**

This MD&A and the financial statements have been prepared in Canadian dollars, unless otherwise indicated, and in accordance with International Financial Reporting Standards ("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**

The Western Investment Company Of Canada Limited was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 28, 2015. On February 24, 2016, the Corporation completed its initial public offering ("IPO") raising gross proceeds of \$4,500,000, pursuant to a financial prospectus dated January 29, 2016. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a Qualifying Transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the TSX Venture Exchange (the "Exchange") rules.

The Corporation, along with reputable minority equity partners ("Partners") have signed a letter of intent on September 22, 2016 to purchase a private Alberta based company that is intended to be the Qualifying Transaction for the Corporation.

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## SELECTED ANNUAL FINANCIAL HIGHLIGHTS

The financial results of the Corporation for the financial year ended December 31, 2015 are summarized as follows:

For the period from October 28 to December 31 (in Canadian \$ thousands except for per share amounts)	2015	2014	% Change
Total Revenue	\$0	n/a	n/a
Operating Expenses	\$34.9	n/a	n/a
Net Income (Loss)	(\$34.9)	n/a	n/a
Earnings (Loss) per Share - Basic	(\$0.02)	n/a	n/a
Earnings (Loss) per Share – Diluted	(\$0.02)	n/a	n/a
Total Assets	\$476.9	n/a	n/a
Total Long Term Liabilities	\$0	n/a	n/a

## SUMMARY OF QUARTERLY RESULTS

The financial results of the Corporation for the quarter ended September 30, 2016 are summarized as follows:

in Canadian \$ thousands except for per share amounts	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months ended March 31, 2016	Three Months ended December 31, 2015
Total Revenue	\$0	\$0	\$0	\$0
Operating Expenses	\$73.8	\$106.4	\$655.6	\$34.9
Net Income (Loss)	(\$73.8)	(\$106.4)	(\$655.6)	(\$34.9)
Earnings (Loss) per Share -Basic	(\$0.01)	(\$0.01)	(\$0.12)	(\$0.02)
Earnings (Loss) per Share – Diluted	(\$0.01)	(\$0.01)	(\$0.12)	(\$0.02)
Total Assets	\$4,279.3	\$4,366.1	\$4,407.8	\$476.9
Total Long Term Liabilities	\$0	\$0	\$0	\$0

## DISCUSSION OF OPERATIONS

During the three month and nine month periods ended September 30, 2016, the Corporation recorded expenses of \$73,841 and \$835,396, respectively. For the 3 month period ending September 30, 2016 expenses included \$56,500 in acquisition costs of which \$19,200 is recoverable, legal and accounting fees of \$24,202, other expenses relating to company set up and pursuance of a Qualifying Transaction of \$8,842 and regulatory fees of \$3,497

For the nine month period ended September 30, 2016, expenses included \$637,932 in share based compensation expense for Directors, \$56,500 in acquisition costs of which \$19,200 is recoverable, \$113,288 of legal and accounting fees, other expenses relating to company set up and pursuance of a Qualifying Transaction of \$29,391 and regulatory fees of \$17,485.

As of September 30, 2016 there are no assets of the Corporation except cash and accounts receivable.

The Corporation will continue to incur expenses as it progresses with the current Qualifying Transaction as well as pursuit of other potential assets for purchase.

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## 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. As at the date of this MD&A, the following is a description of the outstanding securities of the Corporation:

	<u>Authorized</u>	<u>Outstanding</u>
Common shares, without par value	Unlimited common shares	11,000,000
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 to 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  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 September 30, 2016, the Corporation had cash of \$4,260,105 and net working capital of \$4,251,988.

in Canadian \$ thousands	Nine Months Ended September 30, 2016	Six Months ended June 30, 2016	Three Months ended March 31, 2016	Three Months ended December 31, 2015
Cash used in Operating Activities	(\$233.2)	(\$127.2)	(\$85.4)	(\$5.3)
Cash provided by Financing Activities	\$4,016.4	\$4,016.4	\$4,016.4	\$382.2
Increase (decrease) in Cash and Cash Equivalents	\$3,783.2	\$3,889.2	\$3,931.0	\$376.9
Cash and Cash Equivalents - Beginning of Period	\$476.9	\$476.9	\$476.9	\$100.0
Cash and Cash Equivalents - End of Period	\$4,260.1	\$4,366.1	\$4,407.9	\$476.9

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## OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2016, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

## TRANSACTIONS BETWEEN RELATED PARTIES

As at September 30, 2016, and up to the date of this MD&A, the Corporation had no related party transactions other than share compensation awarded to Directors.

## PROPOSED TRANSACTIONS

As of September 22, 2016 the Corporation, along with reputable minority equity partners (“Partners”) has signed a Letter of Intent to purchase a private Alberta based company (the “Seller”) that is expected to be the Qualifying Transaction.

There are some necessary legal steps the Corporation must take to ensure the Qualifying Transaction meets regulatory requirements. This means trading in the common shares of the Corporation has been halted and will not resume until the Qualifying Transaction is closed. A more comprehensive news release will be issued once the definitive agreement has been executed.

The proposed Qualifying Transaction is approximately \$18 million and will be funded through an equity investment from the Corporation and its Partners and senior and subordinated debt. The Corporation will retain majority control of the Seller and does not anticipate requiring an additional equity financing to complete the Qualifying Transaction.

The Corporation will disclose details of the Transaction once an agreement has been finalized and conditions have been met including:

- i) approval of the Qualifying Transaction by the TSX Venture Exchange;
- ii) approval of the Qualifying Transaction by the Corporation’s Board of Directors and its Partners;
- iii) completion of the financing conditions; and
- iv) satisfactory completion of due diligence.

In the event a final agreement is not reached, the Corporation will notify shareholders.

As at September 30, 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 September 30, 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 Note 4 of the Notes to the unaudited financial statements of the Corporation for the period ended September 30, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, 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.

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## RISKS AND UNCERTAINTIES

The Corporation is a Capital Pool Corporation as that term is defined in Policy 2.4 of the Exchange. If the Corporation fails to complete its Qualifying Transaction within 24 months from February 24, 2016, the Exchange could suspend or delist the common shares of the Corporation. In the event that the Corporation does not complete its Qualifying Transaction within the time specified by the Exchange, an interim cease trade order may be issued against the Corporation's securities by the securities regulatory authorities and the Corporation's securities may be suspended from trading on, or delisted from, the Exchange. Although management of the Corporation is working to identify a Qualifying Transaction, there is no assurance that a Qualifying Transaction will be entered into or be completed within the specified time, or at all.

On behalf of the Board of Directors,

(signed) "*Scott Tannas*"

Scott Tannas  
President and Chief Executive Officer  
High River, Alberta  
October 31, 2016