# The Western Investment Company of Canada Limited

Consolidated Financial Statements
(Unaudited)
**March 31, 2018**

## 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 condensed consolidated interim financial statements of The Western Investment Company of Canada Limited for the interim reporting period ended March 31, 2018 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 condensed 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 Statement of Financial Position

(Unaudited)

| | As at March 31, 2018 $ | As at December 31, 2017 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 22,999 | 2,130,300 |
| Cash held in trust | - | 8,550,000 |
| Accounts receivable | 1,234 | 12,087 |
| Due from related parties (note 11) | 109,540 | 75,173 |
| Prepaids | 9,245 | 9,320 |
| | 143,018 | 10,776,880 |
| **Due from associate** | 27,423 | - |
| **Investment in associates** (note 5) | 16,087,545 | 9,271,144 |
| **Total assets** | 16,257,986 | 20,048,024 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Operating loan (note 5) | 1,179,385 | - |
| Accounts payable and accrued liabilities | 219,049 | 277,268 |
| Current portion of bank loan (note 6) | - | 510,000 |
| | 1,398,434 | 787,268 |
| **Bank loans** (note 6) | - | 4,540,000 |
| **Total liabilities** | 1,398,434 | 5,327,268 |
| **Shareholders' Equity** | | |
| **Share capital** (note 7) | 15,903,859 | 15,737,376 |
| **Contributed surplus** (note 7) | 1,037,049 | 1,036,546 |
| **Deficit** | (2,081,356) | (2,053,166) |
| **Total equity attributable to common shareholders** | 14,859,552 | 14,720,756 |
| **Total liabilities and equity attributable to common shareholders** | 16,257,986 | 20,048,024 |

## Approved by the Board of Directors

"Scott Tannas" Director    "Jim Dinning" Director

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Comprehensive Loss
(Unaudited)

| | For the three months ended March 31, 2018 $ | For the three months ended March 31, 2017 $ |
|---|---|---|
| **Income** | | |
| Income from equity investments (note 4) | 215,402 | 11,273 |
| Dividends from equity investments (note 11) | 27,423 | - |
| Interest income | 2,402 | - |
| Management fees (note 11) | 50,000 | 25,000 |
| | 295,227 | 36,273 |
| **Expenses** | | |
| Legal | 49,745 | 11,933 |
| Accounting | 22,500 | 42,350 |
| Regulatory | 12,056 | 20,049 |
| Consulting | 17,429 | 13,564 |
| Other | 22,005 | 36,472 |
| Management and directors' compensation | 194,008 | - |
| Interest on overdraft | 5,674 | - |
| | 323,417 | 124,368 |
| **Net loss and comprehensive loss for the period** | (28,190) | (88,095) |
| **Net loss per share** | | |
| Basic and diluted | ($0.001) | ($0.005) |
| **Weighted average number of shares outstanding** | | |
| Basic | 30,446,356 | 19,510,512 |
| Diluted | 30,446,356 | 21,191,178 |

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Changes in Equity

(Unaudited)

| | Number of shares | Share capital $ | Contributed surplus $ | Deficit $ | Total $ |
|---|---|---|---|---|---|
| **Balance – December 31, 2017** | 30,317,756 | 15,737,376 | 1,036,546 | (2,053,166) | 14,720,756 |
| Issuance of common shares | 400,000 | 176,000 | - | - | 176,000 |
| Deferred share issuance costs | - | (2,250) | - | - | (2,250) |
| Share repurchase | (14,000) | (7,267) | 503 | - | (6,764) |
| Net loss and comprehensive loss for the period | - | - | - | (28,190) | (28,190) |
| **Balance – March 31, 2018** | 30,703,756 | 15,903,859 | 1,037,049 | (2,081,356) | 14,859,552 |

| | Number of shares | Share capital $ | 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) |
| Net loss and comprehensive loss for the period | - | - | - | (88,095) | (88,095) |
| **Balance – March 31, 2017** | 30,550,256 | 15,857,176 | 981,822 | (1,706,864) | 15,132,134 |

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Cash Flows

(Unaudited)

| | For the three months ended March 31, 2018 $ | For the three months ended March 31, 2017 $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss and comprehensive loss for the period | (28,190) | (88,095) |
| Net change in working capital | 68,343 | 141,714 |
| Adjustments for non-cash items | | |
| Gain from equity investments (note 4) | (215,402) | (11,273) |
| **Cash provided by (used in) operating activities** | (175,249) | 42,346 |
| **Investing activities** | | |
| Purchase of investment in associates (note 4) | (3,075,000) | - |
| Advances to associate (note 11) | (27,423) | - |
| **Cash used in investing activities** | (3,102,423) | - |
| **Financing activities** | | |
| Proceeds from issuance of shares (note 7) | - | 12,419,713 |
| Advances on operating loan | 1,179,385 | - |
| Share issuance costs | (2,250) | (990,994) |
| Repurchase of shares | (6,764) | - |
| **Cash provided by financing activities** | 1,170,371 | 11,428,719 |
| **(Decrease) increase in cash** | (2,107,301) | 11,471,065 |
| **Cash – Beginning of period** | 2,130,300 | 45,067 |
| **Cash – End of period** | 22,999 | 11,516,132 |
| **Supplemental information** | | |
| Interest paid | 5,674 | - |

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

## 1 Incorporation

The Western Investment Company of Canada Limited ("Western" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 28, 2015 ("Incorporation"). 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 Exchange under the stock symbol WI.

## 2 Nature of operations and continuance of operations

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.

The consolidated financial statements of the Corporation for the period ended March 31, 2018 were approved and authorized for issuance by the Corporation's Board of Directors on May 22, 2018.

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 enterprise value is between $10 million to $100 million and it will consider ownership between 25% and 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 sunroofs ("Service Division") and an automotive glass warehouse that imports to sell wholesale a full line of quality aftermarket glass parts and materials at low 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.

**Golden Healthcare – Equity Investment**

On September 1, 2017, the Corporation obtained a 30% equity investment in three Saskatchewan senior care homes (including 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), and a 25% interest in Golden Health Care Management Inc. (together referred to as “Golden”). The management company, Golden Health Care Management Inc., oversees the operations of a portfolio of senior care homes, including but not limited to the homes that the Corporation has investments in. All the homes operate under the Golden Health Care banner that includes a number of senior care homes that Western does not have ownership in.

Golden Health Care is the largest full-service retirement operator in Saskatchewan. All homes in our portfolio have been operating at 100% occupancy rates with significant waiting lists.

**Ocean Sales Group Ltd – Equity Investment**

On November 22, 2017, Western incorporated Ocean Sales Group Ltd. (“Ocean”) as a wholly owned subsidiary for the purposes of acquiring the Ocean Sales group of companies. At December 31, 2017, Ocean was 100% owned by Western and as such its statement of financial position and results of operations for the year ended December 31, 2017 were included in the consolidated financial statements. On January 1, 2018, Ocean completed the acquisition of the Ocean Sales group of companies, partnering with its founders who obtained a 25% interest in Ocean. Subsequent to this acquisition Western owned 75% of the shares of Ocean but did not have a majority of seats on the board of directors and as such has the ability to exercise significant influence over Ocean, but not control. Accordingly, as of January 1, 2018, the Corporation uses the equity method to account for this investment and the financial statements of the Corporation for the period ended March 31, 2018 no longer contain the consolidated assets, liabilities and results of operations of Ocean. Additional information is presented in note 8 regarding the non-cash effect this loss of control has on the financial statements.

The Ocean Sales group of companies is a specialty retailer that imports and sells a line of specialty retail products through unique marketing channels across North America.

**Foothills Creamery Ltd. – Equity Investment**

On February 28, 2018, Western acquired a 50.4% interest in Foothills Creamery Ltd. (“Foothills”). 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.

## 3 Basis of preparation

***Statement of compliance***

These consolidated condensed interim financial statements (“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, 2017, 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, 2017.

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.

***Changes to significant accounting policies***

*IFRS 9, Financial Instruments*

Adoption

The Corporation adopted IFRS 9, “Financial Instruments” (“IFRS 9”) effective January 1, 2018 which replaced IAS 9, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The standard was applied retrospectively with comparative figures not being restated, in accordance with transitional provisions. The adoption of IFRS 9 did not have a material impact on the Corporation’s consolidated financial statements.

Transition

On January 1, 2018, the Corporation determined the appropriate classification category and measurement for each of its financial assets and financial liabilities under IFRS 9 and compared each to their original classification and measurement under IAS 39. Under IFRS 9, financial instruments are classified as amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss. No adjustments were made to the carrying amounts of the financial instruments as a result of the adoption of IFRS 9.

Classification of financial assets and financial liabilities

The Corporation's cash and cash equivalents, accounts receivable, amounts due from related party, and due from associate, were classified as loans and receivables measured at amortized cost under IAS 39 and are classified as measured at amortized cost under IFRS 9. The Corporation's operating loan and accounts payable and accrued liabilities, previously classified as financial liabilities measured at amortized cost under IAS 39, are all classified at amortized cost under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

The ECL model applies to the Corporation's receivables. As at March 31, 2018, substantially all of the Corporation's receivables were due from related parties and associates with no expected credit loss and as such no expected credit loss was recognized.

*IFRS 15, Revenue from Contracts with Customers*

Adoption

The Corporation adopted IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective January 1, 2018, which replaced IAS 11, "Construction Contracts", IAS 18 "Revenue", and several revenue-related interpretations. The standard was applied using the modified retrospective with cumulative effect approach. The adoption of IFRS 15 did not materially impact the timing or measurement of revenue.

Revenue recognition

The Corporation's revenue includes management fees earned from its associates. Revenue is recognized when the Corporation has satisfied its performance obligations, which occurs evenly over the term of the contract. The Corporation's revenue transactions do not include any financing components. The Corporation does not have any long-term contracts with unfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

***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 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.

## 4 Investment in associates

The investment in associates balance consists of:

| | March 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Western's interest in Foothills Creamery Ltd. | 3,171,058 | - |
| Western's interest in Ocean Sales Group Ltd. | 3,673,259 | - |
| Western's interests in Golden Healthcare group of companies | 5,021,793 | 4,975,548 |
| Western's interest in GlassMasters ARG Autoglass Two Inc. | 4,221,435 | 4,295,596 |
| | 16,087,545 | 9,271,144 |

### a) Nature of investments in associates

**Glass Masters ARG Autoglass Two Inc.**

The Corporation holds a 50.1% interest in GlassMasters through its ownership of 4,010,000 common shares. It has two of seven directors appointed to the GlassMasters board of directors. Through the extent of its share ownership and its seats on the board of directors, the Corporation has the ability to exercise significant influence but not control over GlassMasters and accordingly, the Corporation is using the equity method to account for this investment.

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 $1,033,391 (December 31, 2017 – $1,033,391), which was estimated using probability-weighted discounted future cash flows.

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.

**Golden Healthcare group of companies**

On September 1, 2017, the Corporation completed the acquisition of its investment in Golden. 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 the Golden investment.

The purchase price for the acquisition transaction was $4,940,762. On acquisition, the Corporation recognized a fair value adjustment on Western's share of the land and building held of $2,519,639. The fair value adjustment related to the building will be amortized over its useful life against the Corporation's equity income earned from Golden.

One of the senior care homes that Western invested in, The Good Shepherd Villas Inc. had preferred shares issued and outstanding at the date of acquisition. Western's investment in this entity included 30% of these preferred shares valued at $249,300. The preferred shares carry voting rights, pay cumulative dividends at 11% and are redeemable and retractable, by the holders of the shares, at the original issue price of $1.00 per share and have been recorded in Western's investment in associates at their fair value as at March 31, 2018. During the period ended March 31, 2018 dividends of $27,423 were declared on these shares.

**Ocean Sales Group Ltd.**

On January 1, 2018, the Corporation's subsidiary Ocean completed the acquisition of the Ocean Sales group of companies. The vendors purchased a 25% interest in Ocean reducing the Corporation's interest in the Company to 75%. Western appoints two of five members of the board of directors, and as such has the ability to exercise significant influence over Ocean but not control and accordingly, effective January 1, 2018 the Corporation is using the equity method to account for this investment.

Western's total equity investment in Ocean was $3.45 million. The total purchase price of the acquisition was $9.5 million, funded through equity and term debt held in Ocean.

**Foothills Creamery Ltd.**

On February 28, 2018 the Corporation completed the acquisition of a 50.4% interest in Foothills Creamery Ltd. for a total equity investment of $3.251 million. Western's equity investment was paid with $3.075 million in cash and the issuance of 400,000 common shares of Western with a market value of $0.44 per share. Western appoints two of five members of the board of directors, and as such has the ability to exercise significant influence over Foothills but not control and accordingly the Corporation is using the equity method to account for this investment.

Under the terms of its asset purchase agreement, Foothills has agreed to pay contingent consideration to the vendor under certain circumstances. The consideration consists of payments by Foothills for performance conditions, involving normalized earnings before interest, tax and depreciation, generated over the next 4 years (up to a maximum of $3.5 million). The estimated fair value of this contingent consideration payable recognized by Foothills (100%) is $2,250,000 based on an estimate using probability-weighted discounted future cash flows.

### b) Summarized financial information for investees

The below summarized financial information of the associate (disclosed at 100%) is presented in accordance with IFRS, prior to any inter-company eliminations, adjusted to reflect any adjustments required when applying the equity method of accounting for the investments.

*Summarized financial information as at March 31, 2018 and for the period then ended*

| | GlassMasters<br>$ | Golden<br>$ | Ocean<br>$ | Foothills[1]<br>$ |
|---|---|---|---|---|
| Current assets | 3,874,454 | 1,515,095 | 7,314,353 | 9,855,789 |
| Non-current assets | 14,849,470 | 19,516,104 | 5,343,141 | 21,512,706 |
| Current liabilities | 1,172,832 | 1,527,585 | 3,346,201 | 7,418,122 |
| Non-current liabilities | 9,118,343 | 11,926,088 | 4,350,536 | 17,508,989 |
| Net assets | 8,432,749 | 7,577,526 | 4,960,757 | 6,441,384 |
| Revenue | 3,525,423 | 2,137,236 | 7,395,709 | 3,303,966 |
| Net income (loss) and comprehensive income (loss) | (148,145) | 194,486 | 431,013 | (158,616) |

(1)Foothills summarized revenue and income financial information presented for the period since the acquisition date of March 1, 2018 to March 31, 2018.

*Summarized financial information as at December 31, 2017 and for the year then ended*

| | GlassMasters<br>$ | Golden[1]<br>$ |
|---|---|---|
| Current assets | 4,448,880 | 1,332,226 |
| Non-current assets | 14,833,631 | 19,595,402 |
| Current liabilities | 2,613,770 | 1,411,437 |
| Non-current liabilities | 8,087,846 | 12,133,150 |
| Net assets | 8,580,895 | 7,383,041 |
| Revenue | 19,052,752 | 2,724,128 |
| Net income and comprehensive income | 1,020,592 | 115,724 |

(1) Golden summarized revenue and income financial information presented for the period since the acquisition date of September 1, 2017 to December 31, 2017.

*Summarized financial information as at acquisition date*

| | Ocean January 1, 2018 $ | Foothills February 28, 2018 $ |
|---|---|---|
| Current assets | 6,230,086 | 10,217,730 |
| Non-current assets | 5,361,770 | 21,385,465 |
| Current liabilities | 2,551,857 | 7,568,206 |
| Non-current liabilities | 4,540,000 | 17,508,989 |
| Net assets | 4,499,999 | 6,526,000 |

### c) Reconciliation of investments in associates carrying value

The following table presents a reconciliation of the carrying amount of the investment in the Corporation's financial statements and the summarized financial information.

*Reconciliation of the carrying value for the three months ending March 31, 2018:*

| | GlassMasters $ | Golden $ | Ocean $ | Foothills $ |
|---|---|---|---|---|
| Western ownership interest | 50.1% | 25.0% – 30.0% | 75.0% | 50.4% |
| Share of net assets as of December 31, 2017 | 4,295,596 | 4,975,548 | 3,349,999[(1)] | 3,251,000[(2)] |
| Share of comprehensive (loss) income | (74,161) | 46,245 | 323,260 | (79,942)[(3)] |
| Investment in associates as of March 31, 2018 | 4,221,435 | 5,021,793 | 3,673,259 | 3,171,058 |

(1)Western's share of Ocean's net assets presented as at the acquisition date of January 1, 2018.

(2)Western's share of Foothill's net assets presented as at the acquisition date of February 28, 2018.

(3)Western's share of Foothill's comprehensive loss presented for the period since the acquisition date of February 28, 2018 to March 31, 2018.

*Reconciliation of the carrying value for the year ended December 31, 2017:*

| | GlassMasters $ | Golden $ |
|---|---|---|
| Western ownership interest | 50.1% | 25% – 30% |
| Share of net assets as of December 31, 2016 | 3,787,870 | 2,168,162(1) |
| Goodwill adjustment on acquisition | - | 2,772,599 |
| Share of comprehensive income | 507,726 | 34,787(2) |
| Investment in associate as of December 31, 2017 | 4,295,596 | 4,975,548 |

(1)Western's share of Golden's net assets presented as at the acquisition date of September 1, 2017.

(2)Western's share of Golden's comprehensive income presented for the period since the acquisition date of September 1, 2017 to December 31, 2017.

## 5 Operating loan

On February 20, 2018, the Corporation entered into a new demand revolving operating loan facility agreement with a Canadian financial institution ('the 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 facility was obtained firstly to be used toward the purchase price of Foothills Creamery Ltd., and secondly towards general corporate operating purposes. Security for the facility includes:

a) general security agreement over all present and after acquired property;

b) share pledge agreement in respect to the Corporation's interest in its subsidiaries;

c) assignment of material contracts; and

d) continuing guarantee from any material wholly-owned subsidiaries of the Corporation.

As at March 31, 2018, $1,179,385 was drawn on the facility.

## 6 Bank loan

On December 28, 2017 Ocean obtained a $5.1 million fixed term loan from a major Canadian lender. The loan bore interest at the bank's prime rate plus 1.5% per annum with interest only payable for the first four months. As at March 31, 2018, Ocean was a wholly owned subsidiary of Western and thus the consolidated financial statements as at December 31, 2017 included the financial position and results of operations of Ocean. The loan was obtained to be used for the acquisition of the Ocean Sales Group of companies that occurred on January 1, 2018. At December 31, 2017, this $5.1 million loan less $50,000 in deferred financing costs was included in the consolidated balance sheet of Western.

Effective January 1, 2018, in accordance with the acquisition of the Ocean Sales group of company, Western lost control of Ocean. As such, for the period ended March 31, 2018 and as described in note 2, Ocean is now accounted for under the equity method of accounting. In accordance with this loss of control this bank debt, and all net assets of Ocean, are no longer reported on the consolidated balance sheet of Western.

## 7 Share capital

**Authorized**

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

**Issued**

During the three months ended March 31, 2018, 400,000 common shares were issued pursuant to the Corporation's acquisition of Foothills at a market price of $0.44 per share at the time of issue (March 31, 2017 – 19,107,250 issued in accordance to a short form prospectus at $0.65 per share). There were no preferred shares issued during the year. The following is a summary of the share capital issued at period-end.

| | Number of shares | Amount $ |
|---|---|---|
| **Balance – December 31, 2016** | 11,443,006 | 4,428,456 |
| Issuance of common shares | 19,115,250 | 12,424,753 |
| Deferred share issuance costs | - | (990,993) |
| Share repurchase | (240,500) | (124,840) |
| **Balance – December 31, 2017** | 30,317,756 | 15,737,376 |
| Issuance of common shares | 400,000 | 176,000 |
| Deferred share issuance costs | - | (2,250) |
| Share repurchase | (14,000) | (7,267) |
| **Balance – March 31, 2018** | 30,703,756 | 15,903,859 |

### *Escrow*

All shares issued prior to the initial public offering, totaling 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 each of December 19, 2016, June 19, 2017, and December 19, 2017. The remaining 534,750 shares will be released from escrow on June 16, 2018.

### *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 2018, no stock options have been issued to date (March 31, 2017 – nil). For the three months ended March 31, 2018 and March 31, 2017, shares issuable under the Corporation's stock option plan have been excluded from diluted earnings per share as the effect is anti-dilutive. On February 24, 2018 the 900,000 agent options expired, and on February 6, 2018, 90 days after the resignation of a director, 200,000 options were forfeited.

All options are settled in Western common shares. Amounts were calculated using the Black-Scholes option pricing model with the following assumptions for the period:

| | |
|---|---|
| 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 at March 31, 2018:

| Expiry date | Exercise price $ | Number of options | Remaining contractual life (years) | Fair value of options $ |
|---|---|---|---|---|
| February 24, 2026 | 0.50 | 790,000 | 7.91 | 0.5981 |
| April 6, 2026 | 0.56 | 140,000 | 8.02 | 0.4554 |
| April 21, 2027 | 0.65 | 30,000 | 9.06 | 0.3914 |
| June 19, 2027 | 0.65 | 150,000 | 9.22 | 0.3279 |

***Share repurchases***

On 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 issued.

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 April 13, 2018 the Board of Directors approved the renewal of the Bid for another year.

From May 23, 2017 to March 31, 2018, 254,500 common shares were repurchased at a total price of $147,644. All shares repurchased are cancelled by the Corporation at the end of the month in which they are repurchased with a reduction to share capital at their average issued priced which totalled $124,840for the year ended December 31, 2017 and $7,280 for the three months ended March 31, 2018. The difference between the issued price and the repurchase price of the shares repurchased is recorded as a reduction to contributed surplus.

## 8 Supplementary cash flow information

During the period ended March 31, 2018, the Corporation issued 400,000 common shares with a value of $176,000 relating to non-cash consideration for the acquisition of Foothills.

The net change in non-cash balances related to the loss of control of Ocean subsequent to December 31, 2017:

| | $ |
|---|---|
| Cash held in trust | (8,550,000) |
| Accounts receivable | 100,600 |
| Investment in associates | 3,450,000 |
| Accounts payable and accrued liabilities | 49,401 |
| Long-term debt | 5,100,000 |
| Deferred financing costs | (50,000) |

## 9 Capital management

The Corporation's capital consists of share capital and debt. The Corporation's objective for managing capital is to maintain sufficient capital to cover Western's expenses and to identify, evaluate and execute acquisitions of private businesses that meet Western's investment criteria.

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 March 31, 2018, except for common shares held in escrow pursuant to the terms of an escrow agreement (note 5).

## 10 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, cash held in trust, accounts receivable, due from related parties, due from associate, operating loan 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 cash, cash held in trust, accounts receivable, due from related parties, operating loan and 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 in trust with legal counsel or at a major Canadian bank and the receivable amounts being due from a credit worthy related parties, the Corporation believes it has no significant credit risk.

The Corporation's maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of the Corporation's consolidated statement of financial position.

| | March 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Cash | 22,999 | 2,130,300 |
| Cash held in trust | - | 8,550,000 |
| Accounts receivables | 1,234 | 12,087 |
| Due from related parties | 109,540 | 75,173 |
| Due from associate | 27,423 | - |
| | 161,196 | 10,767,560 |

### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meets its financial obligations as they become due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Policies and practices used include the preparation of budgets and forecasts which are regularly monitored and updated as considered necessary. Cash requirements are monitored on a monthly basis and short-term liquidity risks have been mitigated by obtaining a line of credit during the period (note 5). The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. As at March 31, 2018 contractual obligations were as follows:

| | March 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Operating line of credit | 1,179,385 | - |
| Accounts payable and accrued liabilities | 219,049 | 277,268 |
| Current portion of long-term debt | - | 510,000 |
| Long-term debt | - | 4,540,000 |
| | 1,398,434 | 5,327,268 |

### 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation, obtained a demand loan with variable interest rate on Feb 25, 2018. As at March 31, 2018 assuming all variables are held constant and at the year-end balance, a change in the interest rate by 1% would result in an increase/decrease to the Company's net income (loss) before tax of $11,794 (December 31, 2017 – $nil).

b) Foreign currency risk

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

## 11 Related party transactions

In accordance with the terms of a management fee agreement, Western earns an annual management fee from each of GlassMasters and Foothills of $75,000, and from Ocean of $100,000, payable on a quarterly basis. As at March 31, 2018, $52,188 is due from associates for management fees (December 31, 2017 – $26,250). Also included in amounts due from related parties is $57,353 (December 31, 2017 – $nil) due from associates related to expense reimbursements. At December 31, 2017, $48,923 was due from the vendors of the Golden shares for the working capital adjustment related to the September 1, 2017 acquisition. Non-current amounts of $27,423 in dividends receivable that the Corporation does not expect to collect in the next twelve months (December 31, 2017 – $nil) have been recorded as due from associate.

Key management of Western includes the Corporation's executives and directors. During the period ended March 31, 2018, $117,750 was paid or payable to members of management (March 31, 2017 – $12,000) and $69,000 was paid to directors as part of the Corporation’s time and expense policy (March 31, 2017 – $nil). No other compensation has been payable to management of the Corporation during the period ended March 31, 2018 (March 31, 2017 – $nil).