The Western Investment Company of Canada Limited

Consolidated Financial Statements
December 31, 2018 and 2017

Independent auditor's report

To the Shareholders of The Western Investment Company of Canada Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Western Investment Company of Canada Limited and its subsidiary (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ashley Yanke.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 29, 2019

The Western Investment Company of Canada Limited

Consolidated Statements of Financial Position

As at December 31, 2018 and 2017

	2018 $	2017 $
Assets		
Current assets		
Cash	8,183	2,130,300
Cash held in trust	-	8,550,000
Accounts receivable	24,107	12,087
Due from related parties (note 13)	125,176	75,173
Prepaids	1,662	9,320
	159,128	10,776,880
Investment in associates (note 5)	17,681,631	9,271,144
Total assets	17,840,759	20,048,024
Liabilities		
Current liabilities		
Operating loan (note 6)	1,519,896	-
Accounts payable and accrued liabilities	155,670	277,268
Current portion of bank loan (note 7)	-	510,000
	1,675,566	787,268
Bank loan (note 7)	-	4,540,000
Total liabilities	1,675,566	5,327,268
Shareholders' Equity		
Share capital (note 8)	15,903,859	15,737,376
Contributed surplus (note 8)	1,111,161	1,036,546
Accumulated other comprehensive income	71,808	-
Deficit	(921,635)	(2,053,166)
Total equity attributable to common shareholders	16,165,193	14,720,756
Total liabilities and equity attributable to common shareholders	17,840,759	20,048,024

Subsequent events (note 14)

Approved by the Board of Directors

"Scott Tannas" Director "Jennie Moushos" Director

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

The Western Investment Company of Canada Limited

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2018 and 2017

	2018 $	2017 $
Income		
Income from equity investments (note 5)	1,888,816	542,513
Dividends from equity investments (note 13)	45,705	-
Interest income	2,455	46,932
Management fees (note 13)	237,500	100,000
	2,174,476	689,445
Expenses		
Legal	122,235	177,157
Regulatory	44,932	61,041
Other	89,375	118,785
Accounting	115,093	152,003
Consulting	53,708	86,904
Management and directors' compensation (note 13)	476,899	407,188
Write-off option to purchase	-	50,000
Interest on operating loan (note 6)	66,591	-
Share-based compensation expense (note 8)	74,112	70,764
	1,042,945	1,123,842
Net income (loss) for the year	1,131,531	(434,397)
Other comprehensive income – net of tax		
Item that may be reclassified to profit or loss		
Cumulative translation adjustment	71,808	-
Net income (loss) and comprehensive income (loss) for the year	1,203,339	(434,397)
Net income (loss) per share		
Basic and diluted	0.037	(0.016)
Weighted average number of shares outstanding		
Basic and diluted	30,640,288	27,687,231

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

The Western Investment Company of Canada Limited
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017

	Number of shares	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total $
Balance – December 31, 2016	11,443,006	4,428,456	981,822	-	(1,618,769)	3,791,509
Issuance of common shares	19,115,250	12,424,753	-	-	-	12,424,753
Deferred share issuance costs	-	(990,993)	-	-	-	(990,993)
Share repurchase	(240,500)	(124,840)	(16,040)	-	-	(140,880)
Issuance of share-based compensation	-	-	70,764	-	-	70,764
Net loss and comprehensive loss for the year	-	-	-	-	(434,397)	(434,397)
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 repurchases	(14,000)	(7,267)	503	-	-	(6,764)
Issuance of share-based compensation	-	-	74,112	-	-	74,112
Cumulative translation adjustment	-	-	-	71,808	-	71,808
Net income and comprehensive income for the year	-	-	-	-	1,131,531	1,131,531
Balance – December 31, 2018	30,703,756	15,903,859	1,111,161	71,808	(921,635)	16,165,193

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

The Western Investment Company of Canada Limited

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	1,131,531	(434,397)
Adjustments for non-cash items		
Shares issued in lieu of cash	-	5,040
Income from equity investments (note 5)	(1,888,816)	(542,513)
Write-off of option to purchase	-	50,000
Share-based compensation (note 8)	74,112	70,764
Net change in working capital	(25,962)	139,261
Cash used in operating activities	(709,135)	(711,845)
Investing activities		
Distributions from associates (note 13)	151,136	-
Purchase of investment in associates (note 5)	(3,075,000)	(4,990,762)
Cash held in trust for equity investment in Ocean	-	(8,550,000)
Cash used in investing activities	(2,923,864)	(13,540,762)
Financing activities		
Advances on operating loan (note 6)	1,519,896	-
Proceeds from issuance of shares (note 8)	-	12,419,713
Share issuance costs	(2,250)	(990,993)
Repurchase of shares (note 8)	(6,764)	(140,880)
Proceeds from bank loan for Ocean (note 7)	-	5,100,000
Financing costs	-	(50,000)
Cash provided by financing activities	1,510,882	16,337,840
Increase (decrease) in cash during the year	(2,122,117)	2,085,233
Cash – Beginning of year	2,130,300	45,067
Cash – End of year	8,183	2,130,300
Supplemental information		
Income taxes paid	-	-
Interest paid	66,591	-

The accompanying notes are an integral part of these consolidated 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. The Corporation was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture 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 years ended December 31, 2018 were approved and authorized for issuance by the Corporation's Board of Directors on April 26, 2019.

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 30% 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, Red Deer and Saskatoon 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 nine 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 an interest in 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 period ended 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.

The Ocean Sales group of companies is a speciality 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 large grocery retail and food service network spanning across Western Canada, support by two distribution facilities in Edmonton, Alberta, and Kelowna, BC.

3 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

These consolidated 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, except as noted in note 4 to the consolidated financial statements.

The preparation of timely financial statements necessitates the use of judgements, estimates and assumptions that will affect assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenues and expenses during the reporting periods.

4 Summary of significant accounting policies

Cash

Cash consists of demand deposits with accredited financial institutions in Canada.

Cash held in trust

At December 31, 2018, $nil (2017 – $8,550,000) was held in trust with the Corporation's legal counsel. The prior year cash was held in escrow under the terms of the Ocean Sales Group Ltd. share purchase agreement completed on January 1, 2018.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods and services that have been purchased in the normal course of business and are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Revenue recognition

Accounting policy prior to January 1, 2018

The Corporation recognizes revenues when they are earned, specifically when all the following conditions are met:

- Services are provided or products are delivered to customers;
- There is clear evidence that an arrangement exists;
- Amounts are fixed or can be determined; and
- The ability to collect is reasonably assured.

Accounting policy after January 1, 2018

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.

Stock-based compensation

The Corporation has a stock option plan in accordance with the policies of the Exchange which allows the Board of Directors to grant options to directors, officers, employees and consultants of the Corporation to purchase common shares of the Corporation at a stipulated price. The option grants will not exceed 10% of the issued and outstanding common shares of the Corporation. In addition, the number of common shares reserved for issuance to any one person will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any consultant or employee will not exceed 2% of the issued and outstanding common shares.

The Corporation measures these amounts at fair value at the grant date using the Black-Scholes option pricing model and compensation expense is recognized over the vesting period.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Use of the equity method for the Corporation's investment in associate

Western holds a majority equity interest in GlassMasters, Ocean and Foothills. However, pursuant to unanimous shareholders agreements governing these associates, Western does not have the right to appoint a majority of board members. The unanimous shareholders agreements mandate certain other terms and conditions, including that certain significant decisions require the approval of a majority of board members in order to be approved (i.e. approval of annual business plan and budget), and this would include the appointment or removal of senior management and board members. As a result, Western's investment in these associates does meet the definition of 'significant influence' and has been accounted for as an investment in associate using the equity method of accounting.

Investment entities

Western has assessed if the Corporation would qualify as an investment entity as defined in IFRS 10, “Consolidated Financial Statements”, which requires that a company invest funds solely for returns from capital appreciation, investment income, or both, and evaluates the performance of its investments on a fair value basis. Western noted that the Corporation would not qualify as an investment entity as there is no clear exit strategy for its investments as part of its business plan for the investments and does not primarily evaluate its investments based on their fair values. As a result, Western has accounted for its investment in associates using the equity method.

Share-based compensation

Option pricing models require the input of highly sensitive assumptions including the expected price volatility, expected dividends and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the amounts of The Western Investment Company of Canada Limited and its subsidiaries that it controls as of the reporting date. Control exists when the Corporation is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements include the amounts of The Western Investment Company of Canada Limited for the year ended December 31, 2018. For the comparative year ended December 31, 2017 the consolidated financial statements also include the amounts of its wholly-owned subsidiary, Ocean.

All intra-group balances and transactions, and any unrealized income and expenses arising from the intra-group transactions have been eliminated in preparing the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, amounts reported by subsidiaries or associates have been adjusted to conform to the Corporation’s accounting policies.

Associates

An associate is an entity over which the Corporation exercises significant influence, without having control or joint control. The Corporation’s investment in associates is accounted for using the equity method. Under this method, investments are initially recognized at cost and, thereafter, the carrying amount is increased or decreased by the Corporation’s post-acquisition share of the associate’s profit or loss and decreased by distributions received.

The Corporation's share of its associate's post acquisition profits or losses is recognized in the consolidated statement of income (loss) and comprehensive income (loss), and its share of the post-acquisition movements in other comprehensive loss is recognized in other comprehensive income (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Corporation determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Corporation calculates the amount of the impairment as the difference between the recoverable amount and its carrying value and recognizes the amount as an impairment to investment in associates on the consolidated statement of income (loss) and comprehensive income (loss). In assessing the recoverable amounts for the investments in associates, the Corporation applies IAS 36 to the carrying amount of the investment and IFRS 9 to any other interests in the associates that do not form part of the net investment.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax is provided on temporary differences arising on investment in associates, except for deferred income taxes where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Financial instruments

Accounting policy before January 1, 2018

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized upon extinguishment. A modification of a financial liability with an existing lender is evaluated to determine whether the amendment results in substantially different terms in which case it is accounted for as an extinguishment.

All financial instruments are initially measured at fair value on the consolidated statement of financial position. The Corporation measures financial instruments in subsequent periods depending on how the instrument has been classified. Financial instruments classified as held to maturity, loans and receivables and other financial liabilities are measured initially at fair value, and subsequently at amortized cost using the effective interest rate method. Cash and cash equivalents and due from related party are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. Transaction costs are included in the initial measurement of the financial instrument.

Financial assets and liabilities are not offset unless they are with a counterparty for which the Corporation has a legally enforceable right to settle the financial instruments on a net basis and the Corporation intends to settle on a net basis.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

An impairment of loans and receivables carried at amortized cost is recognized in earnings when the asset's carrying amount exceeds the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. A reduction in an impairment charge may be recognized if the decrease is related objectively to an event occurring after the impairment was recognized.

Where an impairment charge is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount which does not exceed the carrying amount had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings.

Accounting policy after January 1, 2018

Classification of financial assets and financial liabilities

The Corporation's cash, accounts receivable, and amounts due from related parties 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 December 31, 2018, substantially all of the Corporation's receivables were due from related parties and associates with no expected material credit losses and as such no expected credit loss was recognized on the Corporation's receivables.

Related party transactions

Transactions with related parties are entered into at the exchange amounts which are the amounts established and agreed to by the parties.

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 on a modified retrospective basis 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.

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.

New accounting standards not yet adopted

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 does not expect there to be any material impact from adopting the standard on its consolidated financial statements.

5 Investment in associates

The investment in associates balance consists of:

	2018 $	2017 $
Western’s interest in Foothills Creamery Ltd.	3,815,411	-
Western’s interest in Ocean Sales Group Ltd.	3,824,888	-
Western’s interest in Golden Healthcare group of companies	5,144,418	4,975,548
Western’s interest in GlassMasters ARG Autoglass Two Inc.	4,896,914	4,295,596
	17,681,631	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 six 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 4 years from the acquisition date (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%) as at December 31, 2018 is $606,934 (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, 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 $4.941 million. On acquisition the Corporation recognized a fair value adjustment on Western's share of the land and building held of $2.520 million. 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. Westerns investment in this entity included 30% of these preferred shares valued at $249,300. The preferred shares carried voting rights, payed cumulative dividends at 11% and were redeemable and retractable, by the holders of the shares, at the original issue price of $1.00 per share and were recorded in Western's investment in associates at their fair value as at December 31, 2017. On September 30, 2018 all preferred shares issued and outstanding were exchanged, on a tax deferred basis, for Class A Common shares of The Good Shepherd Villas Inc. There is no effect on Western's ownership or investment in this associate as a result of the exchange. During the year ended December 31, 2018, dividends of $45,705 (2017 – $nil) were declared and paid 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 Ocean to 75%. Subsequent to the acquisition, 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. The consolidated financial statements of the Corporation for the year ended December 31, 2018 no longer contain the consolidated assets, liabilities and results of operation of Ocean. Additional information is presented in note 10 regarding the non-cash affect this loss of control has on the consolidated financial statements.

Western's total equity investment in Ocean was $3.450 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 seven 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 from the acquisition date (up to a maximum of $3.5 million). The estimated fair value of this contingent consideration payable recognized by Foothills at acquisition (100%) was $3,342,815 based on an estimate using probability-weighted discounted future cash flows. As at December 31, 2018 the estimated fair value of the contingent consideration payable was $2,818,413.

b) Summarized financial information for associates

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

Summarized financial information as at December 31, 2018 and for the year then ended

	GlassMasters $	Golden $	Ocean $	Foothills(1) $
Current assets	5,218,365	1,617,797	7,752,614	9,766,012
Non-current assets	14,928,687	19,104,421	5,267,852	25,171,047
Current liabilities	4,452,336	1,376,744	4,104,316	22,888,071
Non-current liabilities	5,910,627	10,571,703	3,782,966	4,403,253
Net assets	9,784,089	8,773,771	5,133,184	7,645,735
Revenue	20,709,267	8,501,008	21,196,260	34,297,608
Net income and comprehensive income	1,201,194	559,731	633,185	1,419,735

(1) Foothills summarized revenue and income financial information presented for the period since the acquisition date of February 28, 2018 to December 31, 2018.

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

	GlassMasters $	Golden[(1)] $
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

	Foothills February 28, 2018 $	Ocean January 1, 2018 $	Golden September 1, 2017 $
Current assets	10,801,956	6,230,086	1,119,599
Non-current assets	25,522,409	5,361,770	19,793,653
Current liabilities	23,266,710	2,551,857	1,141,474
Non-current liabilities	6,531,655	4,540,000	12,704,464
Net assets	6,526,000	4,499,999	7,067,314

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 consolidated financial statements and the summarized financial information.

Reconciliation of the carrying value for the year ending December 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 income	601,318	168,870	403,081	715,547[(3)]
Share of other comprehensive income	-	-	71,808	-
Share of dividends paid out	-	-	-	(151,136)[(4)]
Investment in associates as of December 31, 2018	4,896,914	5,144,418	3,824,888	3,815,411

(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 income presented for the period since the acquisition date of February 28, 2018 to December 31, 2018.

(4) Western's share of Foothill's dividends declared and paid for the period since the acquisition date of February 28, 2018 to December 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 associates 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.

6 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") for an amount of $1,500,000, with an additional $500,000 added subsequently on the delivery of various share pledges bringing the maximum facility to $2,000,000. 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 and is due on demand. 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.

The operating loan is subject to review by the bank on April 30th annually, or at any time at the discretion of the Lender. As at December 31, 2018, $1,519,896 was drawn on the facility.

7 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 December 31, 2017, Ocean was a wholly owned subsidiary of Western and thus the consolidated financial statements as at December 31, 2017 include 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. As at December 31, 2017, this $5.1 million loan less $50,000 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 companies, Western no longer had control of Ocean. As such, for the year ended December 31, 2018 and as described in note 2, Ocean is now accounted for under the equity method of accounting. In accordance with this change of control this bank debt, and all net assets of Ocean, are no longer reported on the consolidated balance sheet of Western.

8 Share capital

Authorized

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

Issued

During the year ended December 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 (December 31, 2017 – 19,107,250 issued at a price of $0.65 per share pursuant to the Corporation's short-form prospectus, and 8,000 issued at a price of $0.63 per share in exchange for consulting services). There were no preferred shares issued during the year. The following is a summary of the share capital issued at year-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 shares 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 shares issuance costs	-	(2,250)
Share repurchase	(14,000)	(7,267)
Balance – December 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 were 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, December 19, 2017 and June 16, 2018. All shares have been released from escrow as of December 31, 2018.

Stock option plan

The Corporation has adopted an incentive stock option plan as described in note 8. In 2018, the Corporation granted 320,000 incentive stock options to directors and management at an exercise price of $0.50 per share (2017 – 210,000 stock options exercisable at $0.65 per share). The fair value of the options granted in 2018 was $74,112 (2017 – $70,764) and is included in share based compensation expense. The stock options are exercisable for a period of 10 years from the date of grant. For the years ended December 31, 2018 and December 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 6, 2018, 90 days after the resignation of a director, 200,000 options were forfeited and on February 24, 2018, 900,000 agent options expired.

All options are settled in Western common shares. The compensation costs for options granted is calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	0.47% – 2.16%
Vesting period	nil
Expected life of stock option	10 years
Volatility	50% – 70%
Dividends	-

The following stock options were outstanding at December 31, 2018

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	960,000	7.16	0.5981
April 6, 2026	0.56	140,000	7.27	0.4554
April 21, 2027	0.65	30,000	8.31	0.3914
June 19, 2027	0.65	180,000	8.47	0.3279
July 4, 2028	0.50	320,000	9.52	0.2316

Share repurchases

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 30,703,756 Common Shares currently issued and outstanding.

The Bid commenced on May 23, 2017 for a one year term and was renewed for another year on June 5, 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.

From May 23, 2017 to December 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 $7,267 in 2018 (2017 –$124,840). The difference between the issued price and the repurchase price of the shares repurchased in 2018 totaled $503 (2017 – $16,040) and was recorded as a reduction to contributed surplus.

9 Income taxes

a) Income tax expense

	2018 $	2017 $
Income (loss) before income taxes	1,131,531	(434,397)
Income tax rate	27%	27%
Expected income tax expense (recovery)	305,513	(117,287)
Non-deductible portion of loss	887	50,560
Equity income	(509,980)	(146,479)
Financing fees deferred for tax	(98,320)	(267,568)
Non-deductible stock compensation	20,010	19,106
Tax benefits of current losses not recognized	281,890	461,668
Income tax	-	-

b) Deferred income taxes

At December 31, 2018, the Corporation's unrecognized deferred tax asset is as follows:

	2018 $	2017 $
Amounts related to share issuance costs	250,397	353,111
Unrealized capital loss	71,745	30,939
Capital assets	-	4,862
Non-capital losses	804,552	530,079
Unrecognized deferred tax asset	1,126,694	918,991

The aggregate outside basis differences, being the differences between the carrying amount of the investments in associates and the tax basis, as at December 31, 2018 amounted to $265,724 (2017 – $114,588). No deferred tax asset has been recognized as at December 31, 2018 as the Corporation's ability to recognize is not probable in the foreseeable future.

10 Supplementary cash flow information

a) During the year ended December 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.

b) The net change in non-cash balances related to the loss of control of Ocean that occurred on January 1, 2018:

	$
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)

11 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 December 31, 2018 and 2017.

12 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, 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.

	2018 $	2017 $
Cash	8,183	2,130,300
Cash held in trust	-	8,550,000
Accounts receivables	24,107	12,087
Due from related parties	125,176	75,173
	157,466	10,767,560

Subsequent to year-end, on April 9, 2019 the Corporation closed an additional offering of subscription receipts. Refer to note 14 for more information.

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 that 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 an operating loan (note 6). The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. As at December 31, 2018 contractual obligations were as follows:

	2018 $	2017 $
Operating loan	1,519,896	-
Accounts payable and accrued liabilities	155,670	277,268
Current portion of long-term debt	-	510,000
Bank loan	-	4,540,000
	1,675,566	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 an operating loan with a variable interest rate on February 20, 2018.

b) Foreign currency risk

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

13 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 each, and from Ocean of $100,000, payable on a quarterly basis. In 2018, $237,500 of management fees were earned from associates (December 31, 2017 – $100,000) and as at December 31, 2018, $124,793 is due from associates for management fees (December 31, 2017 – $26,250). At December 31, 2018, $nil (2017 –$46,730) was due from vendors of the Golden shares for the working capital adjustment related to the September 1, 2017 acquisition.

Distributions in the form of dividends in the amount of $151,136 were received from associates for the year-ended December 31, 2018 (2017 – $nil). Dividends of $45,705 for the year-ended December 31, 2018 were earned and paid on preferred shares held in an associate (December 31, 2017 – $nil). On September 30, 2018 all preferred shares held were exchanged, on a tax deferred basis, for Class A Common Shares.

Key management of Western includes the Corporation's executives and directors. During the year ended December 31, 2018, $69,000 was paid or payable to the directors as consulting expenses (2017 – $78,604) and $407,899 was paid to key members of management (2017 – $204,773). Share-based compensation was awarded to directors and management of the Corporation, as disclosed in note 8.

14 Subsequent events

Acquisition of Fortress

On March 11, 2019 the Corporation announced it had received board approval for its plan to acquire a fifty percent interest in Fortress Insurance Company ("Fortress"). Fortress is an Alberta registered and regulated insurance company, in which Western intends to transform from its current narrow scope into specialty and surplus lines of business within the western Canadian insurance market place. The proposed transaction remains subject to final approvals by the TSX Venture Exchange and the Alberta Superintendent of Insurance. It is expected the transaction will close in our second quarter of 2019.

Convertible unsecured debentures

On April 9, 2019 the Corporation closed its offering of subscription receipts in the aggregate gross principal amount of $4 million (the "Financing"). The proceeds of the Financing are expected to be used to finance Western's acquisition of Fortress Insurance Company and for general working capital purposes. Each Subscription Receipt is priced at $1,000 and will entitle the holder to receive one unsecured convertible debenture with a principal value of $1,000 if all escrow conditions are met which includes the completion of the Acquisition on or before 5:00 pm MTN on July 3, 2019. Should the escrow conditions not be satisfied, the Subscription Receipts will be cancelled and all proceeds from the Financing will be returned to the subscribers, together with interest.

Each Debenture will be convertible into common shares of Western ("Common Shares") at a conversion price of $0.55 per share. The Debentures will mature on March 31, 2024 and bear interest at the rate of 7.5% per annum, payable semi-annually at the end of March and September. If after March 31, 2021, the closing price of the Common Shares on the TSX Venture Exchange is $0.65 or greater for 20 consecutive trading days, WICC may, at its option, force the conversion of the Debentures into Common Shares.

Western may elect, at its option, to redeem all or part of the Debentures at any time after March 31, 2021 at the redemption price set forth below plus accrued and unpaid interest, if redeemed during the calendar year upon 45 days written notice by Western:

2021	107.5%
2022	105.0%
2023	102.5%
2024	100.0%

The closing of the Financing is subject to final approval of the TSX Venture Exchange.

In connection with the Financing, the lead agent is entitled to receive (i) a cash commission equal to 6% of the aggregate proceeds of the portion of the Financing sold to subscribers sourced by the lead agent and (ii) broker warrants equal to 6% of the Financing, with each broker warrant exercisable into one Common Share at an exercise price of $0.55 that expire 24 months from the Closing Date.