# The Western Investment Company of Canada Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
**March 31, 2019**

**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, 2019 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, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | - | 8,183 |
| Accounts receivable | 26,918 | 24,107 |
| Due from related parties (note 10) | 170,928 | 125,176 |
| Prepaids | 9,452 | 1,662 |
| | 207,298 | 159,128 |
| **Investment in associates** (note 4) | 17,704,951 | 17,681,631 |
| **Total assets** | 17,912,249 | 17,840,759 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Operating loan (note 5) | 1,738,283 | 1,519,896 |
| Accounts payable and accrued liabilities | 185,875 | 155,670 |
| **Total liabilities** | 1,924,158 | 1,675,566 |
| **Shareholders' Equity** | | |
| **Share capital** (note 6) | 15,840,148 | 15,903,859 |
| **Contributed surplus** (note 6) | 1,128,964 | 1,111,161 |
| **Accumulated other comprehensive (loss) income** | (5,695) | 71,808 |
| **Deficit** | (975,326) | (921,635) |
| **Total equity attributable to common shareholders** | 15,988,091 | 16,165,193 |
| **Total liabilities and equity attributable to common shareholders** | 17,912,249 | 17,840,759 |

**Subsequent events** (note 11)

## Approved by the Board of Directors

"Scott Tannas" Director    "Jennie Moushos" Director

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Comprehensive Loss

(Unaudited)

| | For the three months ended March 31, 2019 $ | For the three months ended March 31, 2018 $ |
|---|---|---|
| **Income** | | |
| Income from equity investments (note 4) | 100,823 | 215,402 |
| Dividends from equity investments | - | 27,423 |
| Interest income | 7 | 2,402 |
| Management fees (note 10) | 62,500 | 50,000 |
| | 163,330 | 295,227 |
| **Expenses** | | |
| Legal | 1,374 | 49,745 |
| Accounting | 36,631 | 22,500 |
| Regulatory | 7,661 | 12,056 |
| Consulting | 29,119 | 17,429 |
| Other | 15,732 | 22,005 |
| Management and directors' compensation | 102,988 | 194,008 |
| Interest on overdraft | 23,516 | 5,674 |
| | 217,021 | 323,417 |
| **Net loss for the period** | (53,691) | (28,190) |
| **Other comprehensive loss – net of tax** | | |
| Item that may be reclassified to profit or loss | | |
| Cumulative translation adjustment (note 4) | (77,503) | - |
| **Net loss and comprehensive loss for the year** | (131,194) | - |
| **Net loss per share** | | |
| Basic and diluted | ($0.002) | ($0.001) |
| **Weighted average number of shares outstanding** | | |
| Basic and diluted | 30,687,223 | 30,446,356 |

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Changes in Equity
(Unaudited)

| | Number of shares | Share capital $ | Contributed surplus $ | Accumulated other comprehensive income $ | Deficit $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance – December 31, 2018** | 30,703,756 | 15,903,859 | 1,111,161 | 71,808 | (921,635) | 16,165,193 |
| Share repurchases | (123,000) | (63,711) | 17,803 | - | - | (45,908) |
| Cumulative translation adjustment | - | - | - | (77,503) | - | (77,503) |
| Net loss and comprehensive loss for the period | - | - | - | - | (53,691) | (53,691) |
| **Balance – March 31, 2019** | **30,580,756** | **15,840,148** | **1,128,964** | **(5,695)** | **(975,326)** | **15,988,091** |

| | Number of shares | Share capital $ | Contributed surplus $ | Accumulated other comprehensive income $ | 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 repurchases | (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** |

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

# The Western Investment Company of Canada Limited

Consolidated Statement of Cash Flows

(Unaudited)

| | For the three months ended March 31, 2019 $ | For the three months ended March 31, 2018 $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss for the period | (53,691) | (28,190) |
| Adjustments for non-cash items | | |
| Income from equity investments (note 4) | (100,823) | (215,402) |
| Net change in working capital | (26,148) | 68,343 |
| **Cash used in operating activities** | (180,662) | (175,249) |
| **Investing activities** | | |
| Purchase of investment in associates (note 4) | - | (3,075,000) |
| Advances to associate | - | (27,423) |
| **Cash used in investing activities** | - | (3,102,423) |
| **Financing activities** | | |
| Advances on operating loan | 218,387 | 1,179,385 |
| Share issuance costs | - | (2,250) |
| Repurchase of shares | (45,908) | (6,764) |
| **Cash provided by financing activities** | 172,479 | 1,170,371 |
| **Decrease in cash** | (8,183) | (2,107,301) |
| **Cash – Beginning of period** | 8,183 | 2,130,300 |
| **Cash – End of period** | - | 22,999 |
| **Supplemental information** | | |
| Interest paid | 23,516 | 5,674 |

The accompanying notes are an integral part of these unaudited 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.

These condensed consolidated interim financial statements ("the interim financial statements") of the Corporation for the period ended March 31, 2019 were approved and authorized for issuance by the Corporation's Board of Directors on May 24, 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 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, 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***

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

The accounting policies applied in these interim financial statements are the same as those applied in the Corporation's consolidated financial statements for the year ended December 31, 2018, 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, 2018.

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 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 16, Leases*

Adoption

The Corporation adopted IFRS 16, "Leases" effective January 1, 2019, 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. On January 1, 2019, the Corporation adopted the modified retrospective approach.

Transition

With the modified retrospective approach, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Corporation's associates have recognized right of use assets and lease liabilities of buildings, office space, vehicle and equipment leases. The nature of expenses related to those leases will change because companies will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

On adoption, Management elected to use the following practical expedients permitted under the standard:

- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of a low dollar value;
- Apply a single discount rate to a portfolio of leases with similar characteristics;
- The use of hindsight to determine which renewal and termination options to include or exclude; and
- Exclude initial direct costs from the measurement of the ROU asset on transition.

The Corporation itself does not have any leases effected by IFRS 16 on its balance sheet and as such the adoption has no impact on our assets, liabilities or retained earnings. The adoption of this new standard by the Corporation's associates will affect our equity share of their earnings subsequent to the adoption on January 1, 2019. Additionally, the summarized financial information for associates as presented in these notes for the three months ended March 31, 2019 now include the recognized right-of-use assets and lease liabilities related to the associate's leases.

Leases are recognized as a ROU asset and a corresponding lease liability at the date of which the leased asset is available for use by the Corporation. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be paid by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, less any lease incentives receivable. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not readily available.

ROU assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

***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.

## 4 Investment in associates

The investment in associates balance consists of:

| | March 31, 2019 $ | December 31, 2018 $ |
|---|---|---|
| Western's interest in Foothills Creamery Ltd. | 3,747,965 | 3,815,411 |
| Western's interest in Ocean Sales Group Ltd. | 4,017,658 | 3,824,888 |
| Western's interests in Golden Healthcare group of companies | 5,203,280 | 5,144,418 |
| Western's interest in GlassMasters ARG Autoglass Two Inc. | 4,736,048 | 4,896,914 |
| | 17,704,951 | 17,681,631 |

**a) Nature of investments in associates**

**GlassMasters 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%) is $606,934 (December 31, 2018 – $606,934), 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.

**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.

The company records a cumulative translation adjustment as part of the consolidation of its foreign subsidiary that has a functional currency of US dollars.

**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 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 as at March 31, 2019 (100%) is $2,318,413 (December 31, 2018 – $2,818,413) 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, 2019 and for the period then ended*

| | GlassMasters<br>$ | Golden<br>$ | Ocean<br>$ | Foothills<br>$ |
|---|---|---|---|---|
| Current assets | 6,446,658 | 7,229,281 | 6,824,378 | 9,950,898 |
| Non-current assets | 22,747,165 | 19,083,812 | 7,892,375 | 24,976,037 |
| Current liabilities | 6,987,716 | 1,279,546 | 3,487,056 | 23,018,063 |
| Non-current liabilities | 12,523,627 | 16,064,820 | 5,512,605 | 4,396,958 |
| Net assets | 9,682,480 | 8,968,727 | 5,717,092 | 7,511,914 |
| Revenue | 4,082,397 | 2,156,582 | 7,197,378 | 9,102,635 |
| Net income (loss) and comprehensive income (loss) | (321,346) | 194,955 | 257,027 | (133,821) |

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

| | GlassMasters<br>$ | Golden<br>$ | Ocean<br>$ | Foothills(1)<br>$ |
|---|---|---|---|---|
| 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 | 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.

## 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, 2019:*

| | GlassMasters<br>$ | Golden<br>$ | Ocean<br>$ | Foothills<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Western ownership interest | 50.1% | 25.0% – 30.0% | 75.0% | 50.4% | |
| Share of net assets as of December 31, 2018 | 4,896,914 | 5,144,418 | 3,824,888 | 3,815,411 | 17,681,631 |
| Share of net (loss) income | (160,866) | 58,862 | 270,273 | (67,446) | 100,823 |
| Share of other comprehensive loss | - | - | (77,503) | - | (77,503) |
| Investment in associates as of March 31, 2019 | 4,736,048 | 5,203,280 | 4,017,658 | 3,747,965 | 17,704,951 |

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

| | GlassMasters<br>$ | Golden<br>$ | Ocean<br>$ | Foothills<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| 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) | 15,872,143 |
| Share of comprehensive (loss) income | (74,161) | 46,245 | 323,260 | (79,942)(3) | 215,402 |
| Investment in associates as of March 31, 2018 | 4,221,435 | 5,021,793 | 3,673,259 | 3,171,058 | 16,087,545 |

(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.

## 5 Operating loan

The Corporation has a demand revolving operating loan facility agreement with a Canadian financial institution ('the facility") to the maximum amount of $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. The facility was obtained firstly to be used toward the purchase price of Foothills Creamery Ltd. in 2018, 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, 2019, $1,738,283 was drawn on the facility (December 31, 2018 - $1,519,896).

## 6 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, 2019 no common shares were issued (March 31, 2018 – 400,000 common shares issued pursuant to the Corporation's acquisition of Foothills at a market price of $0.44 per share at the time of issue). There are no preferred shares issued to date. The following is a summary of the share capital issued at period-end.

| | Number of shares | Amount $ |
|---|---|---|
| **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 – December 31, 2018** | 30,703,756 | 15,903,859 |
| Share repurchase | (123,000) | (63,711) |
| **Balance – March 31, 2019** | 30,580,756 | 15,840,148 |

### *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 2019, no stock options have been issued to date (March 31, 2018 – nil). For the three months ended March 31, 2019 and March 31, 2018, shares issuable under the Corporation's stock option plan have been excluded from diluted earnings per share as the effect is anti-dilutive.

All options are settled in Western common shares. The compensation cost 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 March 31, 2019:

| Expiry date | Exercise price $ | Number of options | Remaining contractual life (years) | Fair value of options $ |
|---|---|---|---|---|
| February 24, 2026 | 0.50 | 790,000 | 7.16 | 0.5981 |
| April 6, 2026 | 0.56 | 140,000 | 7.02 | 0.4554 |
| April 21, 2027 | 0.65 | 30,000 | 8.06 | 0.3914 |
| June 19, 2027 | 0.65 | 150,000 | 8.22 | 0.3279 |
| July 4, 2028 | 0.50 | 320,000 | 9.27 | 0.2316 |

***Share repurchases***

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 30,580,756 common shares currently issued and outstanding.

The Bid is for a one-year term and is reviewed for renewal annually. 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 26, 2019 the Board of Directors approved the renewal of the Bid for another year.

For the period ended March 31, 2019, 123,000 common shares were repurchased at a total price of $45,908 (March 31, 2018 – 14,000 shares for $6,764). 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 $63,711 for the three months ended March 31, 2019 (March 31, 2018 - $7,267). The difference between the issued price and the repurchase price of the shares repurchased is recorded as a reduction to contributed surplus.

## 7 Supplementary cash flow information

There were no non-cash transactions in the three months ended March 31, 2019. During the three months 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.

## 8 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, 2019.

## 9 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, 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, 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 interim consolidated statement of financial position.

| | March 31, 2019 $ | December 31, 2018 $ |
|---|---|---|
| Cash | - | 8,183 |
| Accounts receivables | 26,918 | 24,107 |
| Due from related parties | 170,928 | 125,176 |
| | 197,846 | 157,466 |

**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 through the use of an operating loan facility (note 5). The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. Contractual obligations were as follows:

| | March 31, 2019 $ | December 31, 2018 $ |
|---|---|---|
| Operating loan | 1,738,283 | 1,519,896 |
| Accounts payable and accrued liabilities | 185,875 | 155,670 |
| | 1,924,158 | 1,675,566 |

Subsequent to March 31, 2019, the Corporation closed an offering of subscription receipts that were converted to debentures on May 9, 2019. Refer to note 11 for more information.

**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 variable interest rate on February 25, 2018.

b) Foreign currency risk

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

## 10 Related party transactions

In accordance with the terms of a management fee agreement, Western earns an annual management fee from many of its associates, payable on a quarterly basis. In the three months ended March 31, 2019, management fees of $62,500 was earned (March 31, 2018 - $50,000). As at March 31, 2019, $170,625 was due from associates for management fees (December 31, 2018 – $124,793).

Key management of Western includes the Corporation's executives and directors. During the period ended March 31, 2019, $102,988 was paid or payable to members of management (March 31, 2018 – $125,008) and $nil was paid to directors as part of the Corporation's time and expense policy (March 31, 2018 – $69,000). No other compensation has been payable to management of the Corporation during the period ended March 31, 2019 (March 31, 2018 – $nil).

Subsequent to March 31, 2019 the Corporation received a shareholder advance from Golden in the amount of $1.62 million. The loan is unsecured, non-interest bearing and has no specified terms of repayment. Management does expect to repay the loan at an unspecified date in the future to be used by Golden for expansion of one of their existing homes.

## 11 Subsequent events

***Acquisition of Fortress***

On May 6, 2019 the Corporation completed the acquisition of a 50% interest in Fortress Insurance Company ("Fortress") for a total investment of $1.69 million. 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.

At the date of issuance of the financial statements, the Corporation was in the process of determining the accounting for the transaction and management is still assessing the related impact on the financial statements. The Corporation has two of six directors appointed to the board of directors giving it the ability to exercise significant influence but not control over Fortress and accordingly, the Corporation will be using the equity method to account for this investment.

***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"). Subsequent to the closing of the acquisition of Fortress, on May 9, 2019, the subscription receipts were converted into unsecured convertible debentures ("Debentures") each with a principal value of $1,000. The proceeds of the Financing are being used to finance Western's acquisition of Fortress and for general working capital purposes.

Each Debenture will be convertible into common shares of Western 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%

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.