The Western Investment Company of Canada Limited

Condensed Interim Consolidated Financial Statements
(Unaudited)
June 30, 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 June 30, 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 June 30, 2019 $	As at December 31, 2018 $
Assets		
Current assets		
Cash	1,567,162	8,183
Accounts receivable	6,444	24,107
Due from related parties (note 11)	250,496	125,176
Prepaids	6,042	1,662
	1,830,144	159,128
Investment in associates (note 4)	19,976,794	17,681,631
Total assets	21,806,938	17,840,759
Liabilities		
Current liabilities		
Operating loan (note 5)	-	1,519,896
Accounts payable and accrued liabilities	105,514	155,670
Advance from associate (note 11)	1,620,000	-
	1,725,514	1,675,566
Convertible debentures (note 6)	2,910,885	-
Total liabilities	4,636,399	1,675,566
Shareholders' Equity		
Share capital (note 8)	15,840,148	15,903,859
Contributed surplus (note 8)	1,158,530	1,111,161
Equity component of convertible debentures (note 6)	793,814	-
Accumulated other comprehensive (loss) income	(29,479)	71,808
Deficit	(592,474)	(921,635)
Total equity attributable to common shareholders	17,170,539	16,165,193
Total liabilities and equity attributable to common shareholders	21,806,938	17,840,759

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 Income

(Unaudited)

	For the three months ended June 30, 2019 $	For the three months ended June 30, 2018 $	For the six months ended June 30, 2019 $	For the six months ended June 30, 2018 $
Income				
Income from equity investments (note 4)	375,269	311,174	476,092	526,575
Gain on acquisition (note 4)	230,358	-	230,358	-
Dividends from equity investments	-	-	-	27,423
Interest income	2,888	13	2,895	2,415
Management fees (note 11)	112,500	62,500	175,000	112,500
	721,015	373,687	884,345	668,913
Expenses				
Legal	41,175	44,877	42,549	94,622
Accounting	24,256	42,235	60,887	64,735
Regulatory	24,315	28,433	31,977	40,489
Consulting (recovery)	(24,904)	4,200	4,214	21,629
Other	9,126	19,755	24,857	41,760
Management and directors' compensation	151,714	95,797	254,703	289,805
Interest on debentures	105,442	-	105,442	-
Interest on operating loan	7,039	16,867	30,555	22,540
	338,163	252,164	555,184	575,580
Net income for the period	382,852	121,523	329,161	93,333
Other comprehensive loss-net of tax				
Item that may be reclassified to profit or loss				
Cumulative translation adjustment (note 4)	(23,784)	-	(101,287)	-
Net income and comprehensive income for the period	359,068	121,523	227,874	93,333
Net income per share				
Basic and diluted	0.013	0.004	0.011	0.003
Weighted average number of shares outstanding				
Basic and diluted	30,580,756	30,703,756	30,633,695	30,575,767

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

The Western Investment Company of Canada Limited

Consolidated Statement of Changes in Equity

(Unaudited)

	Number of shares	Share capital $	Contributed surplus $	Equity component of convertible debentures $	Accumulated other comprehensive income (loss) $	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	-	-	-	-	(101,287)	-	(101,287)
Debenture conversion feature (note 6)	-	-	-	793,814	-	-	793,814
Issuance of warrants	-	-	29,566	-	-	-	29,566
Net income and comprehensive income for the period	-	-	-	-	-	329,161	329,161
Balance – June 30, 2019	30,580,756	15,840,148	1,158,530	793,814	(29,479)	(592,474)	17,170,539

	Number of shares	Share capital $	Contributed surplus $	Equity component of convertible debentures $	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 income and comprehensive income for the period	-	-	-	-	-	93,333	93,333
Balance – June 30, 2018	30,703,756	15,903,859	1,037,049	-	-	(1,959,833)	14,981,075

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

The Western Investment Company of Canada Limited

Consolidated Statement of Cash Flows

(Unaudited)

	For the six months ended June 30, 2019 $	For the six months ended June 30, 2018 $
Cash provided by (used in)		
Operating activities		
Net income for the period	329,161	93,333
Adjustments for non-cash items		
Income from equity associates (note 4)	(476,092)	(526,575)
Gain on acquisition	(230,358)	-
Interest on debentures	105,442	-
Net change in working capital	(162,195)	(2,672)
Cash used in operating activities	(434,042)	(435,914)
Investing activities		
Purchase of investment in associates (note 4)	(1,690,000)	(3,075,000)
Advances from/(to) associates (note 11)	1,620,000	(27,423)
Cash used in investing activities	(70,000)	(3,102,423)
Financing activities		
(Repayments)/advances on operating loan	(1,519,896)	1,417,840
Proceeds from issuance of convertible debentures (note 6)	4,000,000	-
Debenture issuance costs	(371,175)	-
Share issuance costs	-	(2,250)
Repurchase of shares	(45,908)	(6,764)
Cash provided by financing activities	2,063,021	1,408,826
Increase (decrease) in cash	1,558,979	(2,129,511)
Cash – Beginning of period	8,183	2,130,300
Cash – End of period	1,567,162	789
Supplemental information		
Interest paid	30,555	16,867

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

1 Incorporation

The Western Investment Company of Canada Limited ("Western" or the "Corporation") was incorporated pursuant to the provision 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 June 30, 2019 were approved and authorized for issuance by the Corporation's Board of Directors on August 23, 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 align with the industry expertise of the Board of Directors and include: (i) financial services and insurance; (ii) retail and distribution; (iii) human services; (iv) agriculture and related services; and (v) special situations. Western's ideal acquisition enterprise value is between $10 million to $100 million and it will consider equity ownership between 25% to 100%. Western will prospect acquisitions from: (i) director and executive networks; (ii) mid-market accounting and M&A advisors; and (iii) private equity and corporate divestitures.

Where an acquisition is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments may be dependent on the ability of the Corporation to obtain additional financing.

GlassMasters – Equity Investment

On December 16, 2016, the Corporation obtained a 50.1% interest in GlassMasters ARG Autoglass Two Inc. ("GlassMasters"), which is an automotive glass service company providing repair and replacement of automotive glass ("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' principal markets are in Alberta and Saskatchewan.

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 ten 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 (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. Homes in our portfolio have been operating at or near 100% occupancy rates with significant waiting lists.

Ocean Sales Group Ltd – Equity Investment

On January 1, 2018, the Corporation obtained at 75% interest in the Ocean Sales Group Ltd. ("Ocean"), a specialty retailer that imports and sells a line of specialty retail products through unique marketing channels across North America. Ocean has three main divisions. Consumer shows where it markets high-quality innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the US; Costco where it demonstrates a select set of products within all Canadian stores with expansion occurring into the US; and wholesale. Headquartered in Calgary, Alberta they have four strategically located warehouses in Calgary, Washington, Ontario, and Quebec.

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 50 years of operations in Western Canada. Headquartered in Calgary, Alberta it serves customers through a large grocery retail and food service network spanning across Western Canada, supported by two distribution facilities in Edmonton, Alberta, and Kelowna, BC.

Fortress Insurance Company– Equity Investment

On May 6, 2019, Western acquired a 50.0% interest in Fortress Insurance Company ("Fortress"). Fortress is an Alberta registered and regulated insurance company with plans to offer specialty and surplus lines of commercial and property insurance within the western Canadian insurance market place. Fortress is in the process of expanding its regulatory licenses to B.C., Saskatchewan and Manitoba.

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 retained earnings subsequent to the adoption on January 1, 2019. Additionally, the summarized financial information for associates as presented in these notes for the six months ended June 30, 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 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:

	June 30, 2019 $	December 31, 2018 $
Western's interest in Fortress Insurance Company	2,112,353	-
Western's interest in Foothills Creamery Ltd.	4,077,610	3,815,411
Western's interest in Ocean Sales Group Ltd.	3,596,508	3,824,888
Western's interests in Golden Healthcare group of companies	5,231,557	5,144,418
Western's interest in GlassMasters ARG Autoglass Two Inc.	4,958,766	4,896,914
	19,976,794	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 seven directors appointed to the GlassMasters' board of directors. Through the extent of its share ownership and its seats on the board of directors, the Corporation has the ability to exercise significant influence but not control over GlassMasters and accordingly, the Corporation is using the equity method to account for this investment.

As part of the Corporation's qualifying transaction, under the terms of its asset purchase agreement, GlassMasters has agreed to pay contingent consideration to the vendor under certain circumstances. The consideration consists of payments by GlassMasters for performance conditions, including: gross profit generated over the 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 which could impact the 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 original equity investment in Golden was $4.94 million. On acquisition, the Corporation recognized a fair value adjustment on Western's share of the land and building held of $2.52 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.

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. Certain financial covenants have been placed on Ocean's ability to provide distributions to its equity investors, including the Corporation.

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 $3.25 million. Western's equity investment was paid with $3.08 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 June 30, 2019 (100%) is $1,094,413 (December 31, 2018 – $2,818,413) based on an estimate using probability-weighted discounted future cash flows.

Fortress Insurance Company

On May 6, 2019 the Corporation completed the acquisition of a 50% interest in Fortress Insurance Company for a total investment of $1.69 million. The purchase price was below the net fair value of the assets of the corporation at the time of acquisition, and as such, Western has recognized a gain on acquisition of $230,358. 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.

b) Summarized financial information for investees

The below summarized financial information of each 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 June 30, 2019 and for the six months then ended

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress[1]
Current assets	6,298,294	1,981,398	6,927,897	10,561717	11,819,229
Non-current assets	23,273,469	24,414,583	7,844,922	25,204,767	-
Current liabilities	6,241,599	1,425,474	4,379,191	23,280,890	7,594,521
Non-current liabilities	13,202,912	15,908,893	5,238,070	4,319,622	-
Net assets	10,127,252	9,061,614	5,155,558	8,165,972	4,224,708
Revenue	10,819,780	4,308,707	9,581,271	21,091,419	99,799
Net income (loss) and comprehensive income (loss)	123,557	287,842	(312,769)	520,237	383,991

1) Fortress summarized revenue and income financial information presented for the period since the acquisition date of May 6, 2019 to June 30, 2019

Summarized financial information as at December 31, 2018 and for the period ended June 30, 2018

	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	10,105,074	4,288,490	10,685,238	13,950,288
Net income and comprehensive income	590,282	340,776	19,717	224,084

1) Foothills summarized revenue and income financial information presented for the period since the acquisition date of Feb 28, 2018 to June 30, 2018

Summarized financial information as at acquisition date

	Fortress May 6, 2019 $
Current assets	12,035,090
Non-current assets	-
Current liabilities	8,194,374
Non-current liabilities	-
Net assets	3,840,716

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 six months ending June 30, 2019:

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Western ownership interest	50.1%	25.0%- 30.0%.	75.0%	50.4%	50.0%	
Share of net assets as of December 31, 2018	4,896,914	5,144,418	3,824,888	3,815,411	-	17,681,631
Additions	-	-	-	-	1,920,358(1)	1,920,358
Share of net income (loss)	61,852	87,139	(127,093)	262,199	191,995(2)	476,092
Share of other comprehensive income (loss)	-	-	(101,287)	-	-	(101,287)
Investment in associates as of June 30, 2019	4,958,766	5,231,557	3,596,508	4,077,610	2,112,353	19,976,794

(1) Western's investment in Fortress on May 6, 2019.

(2) Western's share of Fortress's net income presented for the period since the acquisition date of May 6, 2019 to June 30, 2019.

Reconciliation of the carrying value for the six months ended June 30, 2018:

	GlassMasters $	Golden $	Ocean $	Foothills $	Total $
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	-	-	15,872,143
Additions	-	-	3,349,999[1]	3,251,000[2]	-
Share of comprehensive (loss) income	295,495	103,354	14,787	112,939[3]	526,575
Investment in associates as of June 30, 2018	4,591,091	5,078,902	3,364,786	3,363,939	16,398,718

(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 June 30, 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 June 30, 2019, $nil was drawn on the facility (December 31, 2018 - $1,519,896).

6 Convertible debentures

On May 9, 2019 the Corporation issued $4 million of unsecured convertible debentures with a principal value of $1,000 each (the "Debentures"). Each Debenture is convertible into common shares of Western at a conversion price of $0.55 per share at the holder's discretion. The Debentures 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 Western's Shares on the TSX Venture Exchange is $0.65 or greater for 20 consecutive trading days, Western may, at its option, force the conversion of the Debentures into Common Shares. Western may also 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 Corporation incurred underwriting fees and issuance costs of $400,742, including 425,454 broker warrants valued at $29,566. The warrants are exercisable into one Common Share per warrant at an exercise price of $0.55 and expire 24 months from the Closing Date. The closing costs are allocated against the carrying value of the liability and equity components of the Debentures.

The Debentures are a compound financial instrument containing both a liability and equity component. On initial recognition the liability component was determined using an estimated discount rate of 13.9% for a similar debt instrument without a conversion feature at the date the convertible debentures were issued. The residual value of $793,814 (net of issuance cost) was allocated to the equity component. The liability component will be accreted to the principal value using the effective rate of 16.5%.

7 Share capital

Authorized

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

Issued

During the six months ended June 30, 2019, no common shares were issued (June 30, 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 – June 30, 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 the six months ended June 30, 2019, no stock options have been issued (June 30, 2018 – nil). For the six months ended June 30, 2019 and June 30, 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 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 as of June 30, 2019:

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	790,000	6.66	0.5981
April 6, 2026	0.56	140,000	6.77	0.4554
April 21, 2027	0.65	30,000	7.81	0.3914
June 19, 2027	0.65	150,000	7.98	0.3279
July 4, 2028	0.50	320,000	9.02	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 six months ended June 30, 2019 123,000 common shares were repurchased at a total price of $45,908 (six months ended June 30, 2018, 14,000 common shares were repurchased at a total price of $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 price which totalled $63,711 for the six months ended June 30, 2019 (June 30, 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.

8 Supplementary cash flow information

In the six months ended June 30, 2019 the Corporation issued 425,454 warrants with a value of $29,566 relating to non-cash agent compensation on the issuance of the convertible debentures. During the six months ended June 30, 2018, the Corporation issued 400,000 common shares with a value of $176,000 relating to non-cash consideration for the acquisition of Foothills.

9 Capital management

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

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital and acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at June 30, 2019.

10 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, accounts receivable, due from related parties, operating loan, advance from associates 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, advance from associate 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 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.

	June 30, 2019 $	December 31, 2018 $
Cash	1,567,162	8,183
Accounts receivables	6,444	24,107
Due from related parties	250,496	125,176
	1,824,102	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 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 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. The Debenture has cash flow requirements of $300,000 a year, with $4 million due March 31, 2024.

As at June 30, 2019 contractual obligations were as follows:

	June 30, 2019 $	December 31, 2018 $
Operating loan	-	1,519,896
Advance from associate	1,620,000	-
Unsecured debentures (note 6)	2,910,885	-
Accounts payable and accrued liabilities	105,514	155,670
	4,636,399	1,675,566

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, has access to an operating loan with variable interest rate. On June 30, 2019 no amounts were drawn on this facility.

b) Foreign currency risk

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

11 Related party transactions

In accordance with the terms of a management fee agreement, Western earns an annual management fee from certain of its associates, payable on a quarterly basis. In the six months ended June 30, 2019, $175,000 in management fees was earned (June 30, 2018 - $112,500). As at June 30, 2019, $190,312 was due from associates for management fees (December 31, 2018 – $124,793). As at June 30, 2019 $60,184 was due from associates for recovery of expenses (June 30, 2018 - $383).

Key management of Western includes the Corporation's executives and directors. During the six months ended June 30, 2019, $254,703 was paid or payable to members of management (June 30, 2018 – $220,805) and $nil was paid to directors as part of the Corporation's time and expense policy (June 30, 2018 – $69,000).

In the six months ended June 30, 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. Subsequent to June 30, 2019 it was determined that $1.21 million would be paid back to Golden and the remaining advance would be declared as a dividend to Western.