The Western Investment Company of Canada Limited

Condensed Interim Financial Statements
(Unaudited)
March 31, 2020

Notice of no Auditor Review of Condensed 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 interim financial statements of The Western Investment Company of Canada Limited for the interim reporting period ended March 31, 2020 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 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

Condensed Interim Statement of Financial Position

(Unaudited)

	As at March 31, 2020 $	As at December 31, 2019 $
Assets		
Current assets		
Cash	1,071	149,868
Accounts receivable	-	220
Other receivables	-	600,000
Due from related parties (note 11)	351,524	23,172
Prepaids	4,941	2,477
	357,536	775,737
Due from related parties (note 11)	403,209	313,208
Investment in associates (note 4)	17,433,052	21,487,906
Total assets	18,193,797	22,576,851
Liabilities		
Current liabilities		
Operating loan (note 5)	4,741	1,188,679
Accounts payable and accrued liabilities	90,904	163,180
	95,645	1,351,859
Loan from related party (note 6)	1,200,000	-
Convertible debentures (note 7)	2,973,036	3,003,866
Total liabilities	4,268,681	4,355,725
Shareholders' Equity		
Share capital (note 8)	15,814,249	15,840,148
Contributed surplus (note 8)	1,245,326	1,233,177
Equity component of convertible debentures (note 7)	793,815	793,815
Accumulated other comprehensive income	118,536	22,978
Retained (deficit) earnings	(4,046,810)	331,008
Total equity attributable to common shareholders	13,925,116	18,221,126
Total liabilities and equity attributable to common shareholders	18,193,797	22,576,851

Approved by the Board of Directors

"Scott Tannas" Director "Jennie Moushos" Director

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

The Western Investment Company of Canada Limited

Condensed Interim Statement of Operations

(Unaudited)

	For the three months ended March 31, 2020 $	For the three months ended March 31, 2019 $
Income		
(Loss) income from equity investments (note 4)	(4,150,412)	100,823
Finance income	27,918	7
Management fees (note 11)	112,500	62,500
	(4,009,994)	163,330
Expenses		
Legal	4,992	1,374
Accounting	26,250	36,631
Regulatory	11,748	7,661
Consulting	-	29,119
Other	11,002	15,732
Management and directors' compensation	76,828	102,988
Interest on debentures (note 7)	119,170	-
Interest on overdraft (note 5)	4,654	23,516
Interest on shareholder loan (note 6)	8,180	-
Credit losses (note 11)	105,000	-
	367,824	217,021
Net loss for the period	(4,377,818)	(53,691)
Other comprehensive income (loss) – net of tax		
Item that may be reclassified to profit or loss		
Cumulative translation adjustment (note 4)	95,558	(77,503)
Net loss and comprehensive loss for the period	(4,282,260)	(131,194)
Net loss per share		
Basic and diluted	($0.143)	($0.002)
Weighted average number of shares outstanding		
Basic and diluted	30,580,756	30,687,223

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

The Western Investment Company of Canada Limited

Condensed Interim Statement of of Changes in Equity

(Unaudited)

	Number of shares	Share capital $	Contributed surplus $	Equity component of convertible debentures $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total $
Balance – December 31, 2019	30,580,756	15,840,148	1,233,177	793,815	22,978	331,008	18,221,126
Share repurchases	(50,000)	(25,899)	12,149	-	-	-	(13,750)
Cumulative translation adjustment	-	-	-	-	95,558	-	95,558
Net loss and comprehensive loss for the period	-	-	-	-	-	(4,377,818)	(4,377,818)
Balance – March 31, 2020	30,530,756	15,814,249	1,245,326	793,815	118,536	(4,046,810)	13,925,116

	Number of shares	Share capital $	Contributed surplus $	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	-	-	-	(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

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

The Western Investment Company of Canada Limited

Condensed Interim Statement of Cash Flows

(Unaudited)

	For the three months ended March 31, 2020 $	For the three months ended March 31, 2019 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(4,377,818)	(53,691)
Adjustments for non-cash items		
Loss (income) from equity investments (note 4)	4,150,412	(100,823)
Interest on debentures	119,170	-
Net change in working capital	197,128	(26,148)
Cash provided by (used in) operating activities	88,892	(180,662)
Investing activities		
Advances to associate (note 11)	(90,001)	-
Cash used in investing activities	(90,001)	-
Financing activities		
(Repayments) advances on operating loan (note 5)	(1,183,938)	218,387
Advance on shareholder loan (note 6)	1,200,000	-
Interest paid on debentures (note 7)	(150,000)	-
Repurchase of shares	(13,750)	(45,908)
Cash (used in) provided by financing activities	(147,688)	172,479
Decrease in cash	(148,797)	(8,183)
Cash – Beginning of period	149,868	8,183
Cash – End of period	1,071	-
Supplemental information		
Interest paid	162,834	23,516

The accompanying notes are an integral part of these unaudited condensed interim 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'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 unaudited condensed interim financial statements ("the interim financial statements") of the Corporation for the period ended March 31, 2020 were approved and authorized for issuance by the Corporation's Board of Directors on May 29, 2020.

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 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 31, 2019, the Corporation purchased an additional 11.2% interest in GlassMasters ARG Autoglass Two Inc. ("GlassMasters"), adding to its original 50.1% investment made on December 16, 2016. This brings the total investment in GlassMasters to 61.3% (see note 4 for additional information on the acquisition). GlassMasters 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 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 and Saskatchewan.

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.

Ocean Sales Group Ltd. – Equity Investment

On January 1, 2018, the Corporation obtained a 75% interest in the Ocean Sales Group Ltd. ("Ocean"), a speciality retailer that imports and sells a line of speciality 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 its Canadian stores; and wholesale. Headquartered in Calgary, Alberta, they have four strategically located warehouses in Alberta, 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 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, British Columbia.

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 speciality and surplus lines of commercial and property insurance within the western Canadian insurance marketplace. Fortress is now registered in all four western Canadian provinces with regulatory licenses in British Columbia, Alberta, 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.

The accounting policies applied in these interim financial statements are the same as those applied in the Corporation's financial statements for the year ended December 31, 2019, except as described in the notes to the interim financial statements. The interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2019.

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 ("IFRS 16"), effective January 1, 2019, which requires entities to recognize right-of-use ("ROU") assets and lease obligations on the statement of financial position. 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 IFRS 16 using 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 as at January 1, 2019, with no restatement of comparative information. The Corporation's associates have recognized ROU 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 ROU 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 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 statement of financial position 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 the Corporation's 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 year ended December 31, 2019 now includes the recognized ROU assets and lease liabilities related to the associates' 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 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 and impact of Pandemic

The interim financial statements have been prepared on a going-concern basis, using the historical cost convention.

On March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic and federal, provincial and municipal governments in North America began legislating measures to combat the spread of the virus. The operations of the Corporation and its associates have been, and are expected to continue to be, negatively impacted, possibly materially, by the global COVID-19 pandemic (the "Pandemic") leading to significant future business uncertainties. These uncertainties include, but are not limited to, interruptions in operations caused by reductions in sales, customer's illiquidity impacting timing and ability to pay for goods and services rendered, the availability and health of the Corporation's workforce and possible disruptions in the supply chain.

The ability of each of Corporation's associates to continue operations in the ordinary course of business, is dependent on, among other things, the duration of the Pandemic, each associate's operational performance during the Pandemic, terms of covenants and repayment obligations with their lenders and the successful navigation of each associate through the challenges that have surfaced relating to the Pandemic. Management believes that the regular payment of liabilities will be met out of cash, operating cash flows and available credit facilities. However, some of Corporation's associates have experienced a significant decline in revenue during the quarter and in the subsequent weeks as a result of the Pandemic and are relying on government assistance and seeking additional financing to ensure ongoing liquidity. If for any reason, these associates are unable to discharge their obligations from available liquidity sources in the ordinary course of business, it could impact the Corporation's ability to realize assets at their recognized values at the amount stated in the interim financial statements.

As at March 31, 2020, certain of the Corporation's associates were not in compliance with financial covenants contained within their loans and borrowings. The impact of the Pandemic has created significant future business uncertainties making it difficult to estimate if and when the associates will be back in compliance with their financial covenants. These associates have negotiated revised terms with their lenders to provide additional capital to operate through these uncertainties. Management of Western believes that the Corporation itself has sufficient room on its operating facilities to meet all obligations over the next 12 months. Each associate is carefully managing its capital to meet obligations.

Functional and presentation currency

These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

4 Investment in associates

The investment in associates balance consists of:

	March 31, 2020 $	December 31, 2019 $
Western's interest in Fortress Insurance Company	1,938,855	2,160,744
Western's interest in Foothills Creamery Ltd.	4,220,092	4,383,907
Western's interest in Ocean Sales Group Ltd.	-	3,475,419
Western's interests in Golden Healthcare group of companies	4,894,452	4,848,227
Western's interest in GlassMasters ARG Autoglass Two Inc.	6,379,653	6,619,609
	17,433,052	21,487,906

a) Nature of investments in associates

GlassMasters ARG Autoglass Two Inc.

The Corporation acquired a 50.1% interest in GlassMasters in 2016, and on December 31, 2019 acquired an additional 11.2% interest bringing Western's total equity interest in GlassMasters to 61.3%. The purchase price for the additional shares in 2019 was $600,000. The fair value of the shares at December 31, 2019 was determined to be $1,223,691, which exceeded the purchase price by $623,691. This bargain purchase gain was recognized by Western in net income in 2019 along with another $253,058 in gains related to the acquisition.

Western continues to have 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.

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. As of March 31, 2020, GlassMasters was in breach of certain of its covenants and has therefore classified its outstanding credit facility balances as current.

Golden Healthcare group of companies

On September 1, 2017, the Corporation completed the acquisition of its investment in Golden for a total equity investment of $4.94 million. 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.

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 is being amortized over its useful life against the Corporation's equity income earned from Golden.

Ocean Sales Group Ltd.

On January 1, 2018, the Corporation obtained a 75% interest in Ocean for a total equity investment of $3.45 million. 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, the Corporation is using the equity method to account for this investment.

Based on the continuing effects of the Pandemic and the significant decline in revenue being experienced by Ocean, impairment indicators for the Ocean's intangible and goodwill existed as at March 31, 2020. As a result, Ocean tested its intangible assets and goodwill for impairment at March 31, 2020. The value-in-use impairment test was based on Ocean's internal forecasts and represents management's best estimates at a specific point in time, and as a result it is subject to measurement uncertainty. This impairment test resulted in a $4,775,521 impairment loss being recorded by Ocean for the period ended March 31, 2020. The impairment loss was primarily a result of the loss of a significant revenue stream as a result of the pandemic, and significant uncertainty on when this revenue stream may return to a degree sufficient to contribute to positive cash flows. Western's share of this impairment loss is included in the equity loss recorded from Ocean during the quarter.

Certain financial covenants have been placed on Ocean which could impact the ability to provide distributions to its equity investors, including the Corporation. As of March 31, 2020, Ocean was in breach of certain of their covenants and has therefore classified its outstanding credit facility balances as current.

Ocean records a cumulative translation adjustment as part of the consolidation of its foreign subsidiary that has a functional currency of US dollars. Western's share of this adjustment is recognized in other comprehensive income.

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 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 four 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, 2020 (100%) was $542,189 (December 31, 2019 – $542,189) 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 at Fortress at the time of acquisition, and as such, Western has recognized a gain on acquisition of $329,704 in 2019. 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 is using the equity method to account for this investment.

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 intercompany eliminations, adjusted to reflect any adjustments required when applying the equity method of accounting for the investments.

Summarized financial information as at March 31, 2020 and for the period then ended

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $
Current assets	5,460,138	4,947,821	5,691,117	9,927,873	10,003,615
Non-current assets	21,901,405	19,813,644	2,454,398	24,213,794	-
Current liabilities	9,306,407	1,421,876	6,980,713	22,262,640	6,324,596
Non-current liabilities	7,146,697	15,400,520	1,349,263	3,430,489	-
Net assets	10,908,439	7,939,069	(184,461)	8,448,538	3,679,019
Revenue	3,861,738	2,174,410	4,462,662	10,424,552	157,762
Net income (loss) and comprehensive income (loss)	(391,445)	154,925	(4,709,891)	(325,031)	(443,777)

Summarized financial information as at December 31, 2019 and for the period ended March 31, 2019

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress(1) $
Current assets	6,146,968	5,913,683	6,556,360	9,686,247	11,175,697
Non-current assets	21,452,620	18,725,316	7,510,341	24,433,822	-
Current liabilities	10,183,675	1,286,633	7,835,694	23,256,424	7,052,901
Non-current liabilities	6,898,926	15,568,222	1,737,430	2,089,940	-
Net assets	10,516,987	7,784,144	4,493,577	8,773,705	4,122,796
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)	-

(1) Fortress acquisition occurred on May 6, 2019.

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 ended March 31, 2020

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Western ownership interest	61.3%	25.0 – 30.0%	75.0%	50.4%	50.0%	
Share of net assets as of December 31, 2019	6,619,609	4,848,227	3,475,419	4,383,907	2,160,744	21,487,906
Share of comprehensive income (loss)	(239,956)	46,225	(3,570,977)	(163,815)	(221,889)	(4,150,412)
Share of other comprehensive income	-	-	95,558	-	-	95,558
Investment in associates as of March 31, 2020	6,379,653	4,894,452	-	4,220,092	1,938,855	17,433,052

Reconciliation of the carrying value for the three months ended March 31, 2019

	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, 2018	4,896,914	5,144,418	3,824,888	3,815,411	17,681,631
Share of comprehensive income (loss)	(160,866)	58,862	270,273	(67,446)	100,823
Share of other comprehensive income	-	-	(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

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.

The operating loan is subject to review by the bank on August 31st annually, or at any time at the discretion of the Lender. As at March 31, 2020, $4,741 was drawn on the facility (December 31, 2019 – $1,188,679).

6 Loan from related party

During the three months ended March 31, 2020, the Corporation received a $1.2 million shareholder loan from Golden. The loan bears interest at 4.09% annually payable with interest only monthly and matures on January 31, 2021 with automatic annual renewal if all amounts of interest owing are not in default.

7 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. The liability component represents the present value of interest and principal payments over the life of the financial instrument discounted at 13.9% which was the approximate rate available to the Corporation for similar debt without the conversion feature at the date the convertible debentures were issued. The residual value of $793,815 (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%.

8 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, 2020, no common shares were issued (March 31, 2019 – nil). 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, 2018	30,703,756	15,903,859
Share repurchase	(123,000)	(63,711)
Balance – December 31, 2019	30,580,756	15,840,148
Share repurchase	(50,000)	(25,899)
Balance – March 31, 2020	30,530,756	15,814,249

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 2020, no stock options have been issued during the three months ended March 31, 2020 (March 31, 2019 – nil). For the three months ended March 31, 2020 and March 31, 2019, 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 at March 31, 2020:

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	790,000	5.91	0.5981
April 6, 2026	0.56	140,000	6.02	0.4554
April 21, 2027	0.65	30,000	7.06	0.3914
June 19, 2027	0.65	150,000	7.22	0.3279
July 4, 2028	0.50	320,000	8.27	0.2316
August 23, 2029	0.40	294,000	9.38	0.2539

Share repurchases

The Corporation has regulatory approval for 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 30,530,756 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 December 11, 2019, the board of directors approved the renewal of the Bid for another year. Each renewal is subject to regulatory approval before it can proceed.

For the period ended March 31, 2020, 50,000 common shares were repurchased at a total price of $13,750 (March 31, 2019, 123,000 common shares were repurchased at a total price of $45,908). 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 $25,899 for the three months ended March 31, 2020 (March 31, 2019 – $63,711). The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

9 Capital management

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

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

The Corporation's objectives when managing capital are:

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

The Corporation is not subject to any externally or internally imposed capital requirements at March 31, 2020.

10 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, accounts receivable, due from related parties, operating loan, accounts payable and accrued liabilities and convertible debentures. 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, other receivables, due from related parties, operating loan and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these items. The fair value of the long-term amounts due from related parties approximates their fair value as any effect that discounting might have on the balance is not expected to have a material effect on the value. The fair value of the convertible debentures was calculated based on the present value of future principle and interest cash flows, discounted at the market rate of interest at the issuance date.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Corporation's exposure to credit risk is primarily related to cash held with financial institutions and the carrying value of its amounts due from related parties. The impact of the Pandemic has potentially increased this risk from exposure to associate liquidity risks. The Corporation continuously evaluates the financial condition of its related parties in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in profit or loss. During the current quarter, the Corporation recognized credit losses on amounts due from associates resulting from the Pandemic.

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 statement of financial position.

	March 31, 2020 $	December 31, 2019 $
Cash	1,071	149,868
Accounts receivable	-	220
Other receivables	-	600,000
Due from related parties	754,733	336,380
	755,804	1,086,468

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 6).

The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. The table below summarizes the future undiscounted contractual cash flow requirements as at March 31, 2020 for its financial liabilities:

	As at March 31, 2020						
	Carrying amount $	Contractual cash flow $	Less than 1 year $	2021 $	2022 $	2023 $	2024 $
Accounts payable and accrued liabilities	90,904	90,904	90,904	-	-	-	-
Operating loan	4,741	4,859	4,859	-	-	-	-
Shareholder loan	1,200,000	233,130	36,810	49,080	49,080	49,080	49,080
Convertible debentures (note 7)	2,973,036	5,200,000	150,000	300,000	300,000	300,000	4,150,000
	4,268,681	5,528,893	282,573	349,080	349,080	349,080	4,199,080

							As at December 31, 2019
	Carrying amount $	Contractual cash flow $	Less than 1 year $	2021 $	2022 $	2023 $	2024 $
Accounts payable and accrued liabilities	163,180	163,180	163,180	-	-	-	-
Operating loan	1,188,679	1,235,830	1,235,830	-	-	-	-
Convertible debentures (note 7)	3,003,866	5,350,000	300,000	300,000	300,000	300,000	4,150,000
	4,355,725	6,749,010	1,699,010	300,000	300,000	300,000	4,150,000

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 a variable interest rate. Based on outstanding amounts under the credit facility as at March 31, 2020, a 1% movement in the prime rate would change the interest expense by approximately $47 (December 31, 2019 – $11,887).

The convertible debentures and shareholder loan pay interest at a fixed interest rate.

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 three months ended March 31, 2020, management fees of $112,500 was earned (March 31, 2018 – $62,500). As at March 31, 2020, $453,966 was due from associates (December 31, 2019 – $336,380) which is composed of cash advances, unpaid management fees, expense reimbursements and interest. $403,209 of this amount is classified as a long-term receivable as certain bank covenants of some associates prevent amounts being paid to shareholders as at March 31, 2020 (December 31, 2019 – $313,208). $105,000 of amounts due from associates was recognized as credit losses during the period.

Effective January 1, 2020, amounts payable from GlassMasters to the Corporation will be subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. As at March 31, 2020, $403,209 is due to Western from GlassMasters (March 31, 2019 – $78,908).

During the three months ended March 31, 2020, the Corporation borrowed $1.2 million from Golden. See note 6 for further details.

During the period ended March 31, 2020, Western purchased inventory on behalf of Ocean. The inventory consists of consumer home type products. The inventory is owned by Western until needed by Ocean to satisfy inventory orders from their customers. The substance of the transaction is viewed as a non-recourse loan to Ocean with inventory as collateral. The loan is considered not to represent solely payments of principal and interest and accordingly is carried at fair value through profit and loss. We are entitled to a 5% markup when the inventory is sold to Ocean and the expectation of receiving these amounts is factored into our fair value model which initially resulted in measurement of the loan at the cost of the inventory we purchased. The balance is classified as current as it is expected that the entire amount will be sold to Ocean within the next 12 months, and during the three months ended March 31, 2020, $176,288 of the original amount purchased has been sold to Ocean. At March 31, 2020, Western had $300,767 included in the due from related parties representing the value of inventory on hand.

There are no other terms in place between Ocean and the Corporation related to this inventory.

The Corporation evaluates the financial condition of its related parties and in line with the goodwill impairment recognized by Ocean, the credit risk associated with the amounts due from Ocean has been assessed has high. The Corporation has recognized credit losses of $105,000 during the period associated with amounts due from Ocean.

Key management of Western includes the Corporation's executives and directors. During the period ended March 31, 2020, $76,828 was paid or payable to members of management (March 31, 2019 – $102,988). Share-based compensation was awarded to directors and management of the Corporation, as disclosed in note 8.