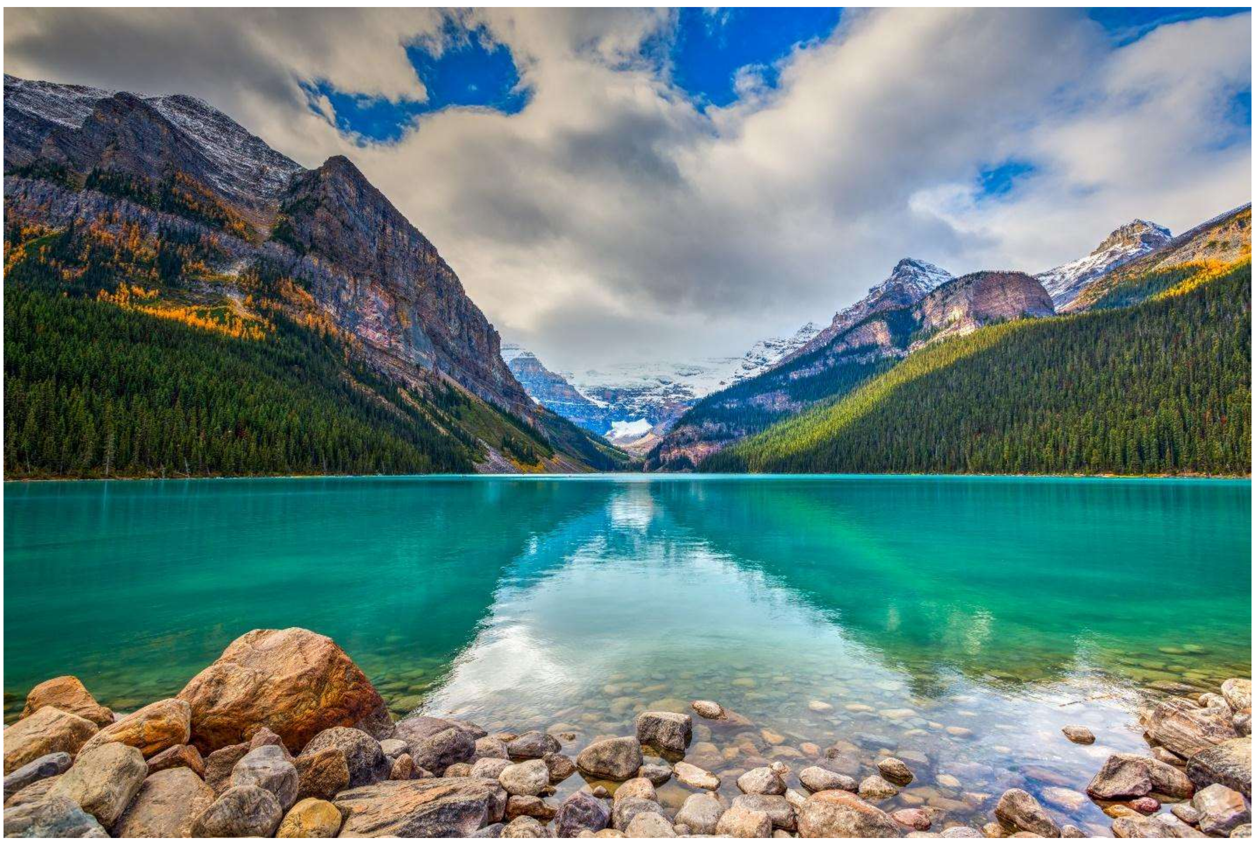
THE WESTERN INVESTMENT COMPANY OF CANADA LIMITED



Interim Management's Discussion and Analysis

Quarterly Highlights

For the period ended March 31, 2021

Dated: May 28, 2021

Introduction

The Western Investment Company of Canada Limited ("we", "**Western**" or the "**Corporation**") is a publicly traded private equity company based in Western Canada. Our common shares trade on the TSX-V under the trading symbol WI. **Our purpose is to create long-term wealth for shareholders by building and maintaining a diversified portfolio of strong, stable, and profitable western-based companies while helping them to grow and prosper.** Our strategy is to use our expertise and capital to cultivate already great western Canadian businesses, ultimately contributing to their success and legacy over the long run.

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 and $100 million and ownership interest between 25% to 100%. Western will prospect acquisitions from; (i) director and executive networks; (ii) mid-market accounting and merger and acquisition advisors; and (iii) private equity and corporate divestitures.

This Interim Management Discussion and Analysis ("MD&A") provides an update on the Corporation's business activities, financial condition, financial performance, and cash flows since December 31, 2020. The Corporation reports its financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars. The MD&A should be read in conjunction with the audited financial statements of the Corporation, and annual MD&A, for the year ended December 31, 2020. The MD&A was prepared by management of Western and was approved by the Board of Directors on May 28, 2021. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR at www.sedar.com.

The following table outlines the acquisitions we have completed as of May 28, 2021;

Investments	Acquisition Date	Ownership (%)
GlassMasters ARG Autoglass Two Inc.	December 16, 2016	61.3%
Golden Health Care	September 1, 2017	25.0 - 30.0%
Ocean Sales Group Ltd.	January 1, 2018	75.0%
Foothills Creamery Ltd.	February 28, 2018	50.4%
Fortress Insurance Company	May 6, 2019	50.0%

Key Highlights for the period ended March 31, 2020

Western's portfolio consists of five associates, including Western's most recently completed acquisition of Fortress Insurance Company ("**Fortress**") on May 6, 2019. Fortress is positioned to take advantage of a growing need for specialty insurance capacity supported by strong broker relationships. Fortress operates in all four western Canadian provinces (Alberta, B.C., Saskatchewan, and Manitoba) and began writing its first policies over a year ago. They now have six broker programs in place, with many more in negotiations. Operations are quickly ramping up and we expect to see significant gains in premiums written through 2021.

Over the past year, Western has invested a significant amount of hard work, patience, and creativity working with our associates to navigate the challenging market conditions that have been faced. Working with our associates every step of the way as they navigate through the uncertainties and impact that COVID-19 has brought, we are proud of what each associate has accomplished and how they have responded. Each company has shown resilience, proving its worth with many successes despite this difficult time. All have been diligent to be prepared for the unknown yet to come.

Response to COVID-19

In March of 2020, the world was hit by a global pandemic from the virus COVID-19 (the "Pandemic"). The effects of this Pandemic have reached far and wide in the world's businesses, and the impact on each of Western's businesses is varied, and the ultimate result still cannot be known. Management remains focused on working with each of our associates in dealing with the evolving impact of the Pandemic. As we head into 2021, the operations at most of our associates have stabilized, and we are confident that 2021 will be a more profitable year.

Ocean Sales Group Ltd. ("**Ocean Sales**") has been the most dramatically impacted by the Pandemic, with the cancellation of all consumer shows, the company has lost one of its primary sources of revenue until such a time when events will be allowed to resume and consumer confidence in their safety returns. Ocean Sales has been working to find other avenues to sell its products, such as expanding its online sales channel. Operations remain impacted to date and for the foreseeable future. Cash flow is being monitored closely. Thanks to the Canada Emergency Wage Subsidy ("CEWS"), the company has been able to keep staff on to grow new sales channels, and it is expected the company will benefit from this subsidy for much of 2021. Looking into the future, the company is planning for its relaunch once the consumer show sales channel returns. Despite the immense challenges faced, the company has managed their cash flows and continues to operate with a positive outlook for the future.

GlassMasters ARG Autoglass Two Inc. ("**GlassMasters**") operations have returned to normal and management has begun again looking for expansion opportunities. Foothill Creamery Ltd. ("**Foothills**") has struggled with a change in its product sales mix, leading to a drop in gross margins overall. A new management team has now been put into place, and we expect to see many operational improvements there during 2021.

Management at Western continues to work diligently with our associates to assist them through this Pandemic. Western has obtained an additional loan facility to provide us with additional liquidity should unexpected events arise in 2021. The course of the Pandemic is highly uncertain and has negatively impacted the earnings of many of the Corporation's investees over the past year, and it is likely to have some effect into the foreseeable future.

Management and Oversight Principles

Western provides entrepreneur-friendly governance and oversight to our portfolio companies using "the Pattison Principles and Rockefeller Habits". This approach features:

- In-depth quarterly meetings with each company's management team.
- Daily and weekly key performance indicators that allow us to accurately predict forward financial performance and health of the business in between financial reporting periods.
- Macro research and industry trend analysis to aid our understanding and help management with future planning.
- A program of continuing education and learning for executives at both Western and the portfolio companies.
- A simple but powerful strategic planning template that was specially designed for entrepreneurial growth companies. The plan focuses on a long-term (5-10 year) measurable strategic aspiration, and one-year goals and tactics that align with progress toward long-term success.

We believe this is a proven framework that will assist our associates to scale up their businesses and grow to their full potential.

Review of Westerns Operations and Financial Results

The financial highlights of the Corporation are:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Financial results ($)		
Revenue	(168,032)	(4,114,994)
Acquisition related expenses	-	-
Professional fees	56,729	31,242
Regulatory fees	12,319	11,748
Management salaries	89,346	76,828
Share based compensation	-	-
Interest	144,455	132,004
Other expenses	5,831	11,002
Total expenses	308,680	262,824
Net income (loss)	(476,712)	(4,377,818)
Net income (loss) per share	(0.016)	(0.143)

	March 31, 2021	December 31, 2020
Financial position ($)		
Working capital	(665,056)	(504,845)
Total assets	19,349,621	19,925,161
Operating loan	685,935	776,791
Loans and convertible debentures	4,372,216	4,395,446
Shareholders' equity	14,101,838	14,606,931

	March 31, 2021	December 31, 2020
Western Share Count Information		
Common shares issued and outstanding	30,402,756	30,460,756

The equity loss for the first quarter of 2021 of $244,954 more than offset other sources of income. The first quarter of the year is typically our slowest due to the seasonality of various associates, however 2021 so far has brought improvements in equity earnings from four out of our five associates. The comparative quarter of 2020 was dramatically impacted by a goodwill impairment loss recognized at Ocean Sales.

Management fees from the prior year are also impacted by the write-offs taken at Ocean Sales, with the 2021 first quarter including the write-off of 2019 equity income deemed uncollectable. Western is currently earning annual management fee revenue from associates totalling $250,000.

The increase in professional fees relates to investor relations and market maker consultants hired in the third quarter of 2020. Salaries are up slightly mainly due to the change to accruing for bonus expense. Regulatory fees, interest, and general and administrative costs were comparable to 2020.

A key focus over the past year has been on developing the insurance business in our newest associate Fortress, as well as assisting our other associates through the Pandemic. Looking forward into 2021, we expect to see slow and steady growth in the insurance business. Many operational improvements implemented at Foothills and GlassMasters over this past year are expected to improve profitability at both companies in 2021. Ocean Sales is working hard to develop new online sales channels that will continue to grow and this new revenue stream could boost the bottom line once regular consumer shows resume.

Summary of Equity Investments

Below is a summary of the results of each of Western's associates for the period ended March 31, 2021. The performance of our associates is assessed based on revenues, income from operations, and EBITDA. EBITDA is a supplemental measure of operating income in which tax, depreciation, and amortization, and interest are added back to the associate's net income (refer to the "Description of Non-IFRS Measures" section below for more information).

Fortress Insurance Company

Western is now approaching its second anniversary of the acquisition of 50% of Fortress Insurance Company. Fortress is a western Canadian licensed insurance company focusing on specialty and surplus lines of business within the western Canadian insurance marketplace. Before the acquisition, Fortress was licensed for auto liability insurance only in Alberta, and it continues to be used by the founding partner in this area solely for self-insurance purposes. A capital and cost/profit neutral structure and financial mechanism has been implemented relating to the company's auto insurance operations, effectively immunizing it from all associated claims of this division. The principal business for Fortress involves property insurance but Fortress also intends to offer insurance in accident & sickness, boiler & machinery, and marine products.

Management has been actively working on developing relationships with its broker network and on negotiations for reinsurance contracts to mitigate the risk taken by Fortress. In this manner Fortress essentially shares the risk of each contract with other insurance companies.

For the period ended March 31, 2021, Western recognized an equity loss of $67,546 from Fortress (March 31, 2020 - $221,889 loss). Western earns $100,000 annually in management fees from Fortress.

Financial highlights for Fortress (at 100%) are presented below:

	Three months ended March 31,	
Financial results ($)	2021	2020
Gross premiums written	715,435	109,352
Total underwriting income (loss)	180,457	24,290
Investment loss	(30,951)	(492,433)
Net income (loss)	(135,091)	(443,777)

Since starting up with its first program in late 2019, Fortress has demonstrated consistent growth, with increases in gross premiums written every quarter in 2020 ending the year with over $4 million in annualized earned and unearned revenue.

The first quarter of 2021 was slower than budgeted, with current programs providing less revenue than expected, however, Fortress is still expecting significant growth in 2021. In April, Fortress signed a fronting agreement adding an additional revenue stream, and it is already contributing revenue ahead of budgeted numbers. A new license was added this quarter including liability, fidelity, legal expenses and surety giving us more niche product offerings. In the second quarter of 2021 we expect to have additional licenses in all three Canadian territories.

Gross premiums written include all premiums written during the period, including both earned and unearned. The trailing 12-month loss ratio (incurred losses over earned premium) is 44%. With Fortress focused on business development and still in the start-up phase, it is expected to be some time before they reach the break-even point.

Looking forward, management is seeing rising premiums in the insurance market resulting from ongoing catastrophic losses in the local marketplace and a shortage of capacity. Several foreign players have recently exited the Canadian market providing more opportunities for domestic incumbents. Management is busy working on new programs and conservatively managing growth.

Western has equal ownership of Fortress with its partner and appoints two of six directors to the board. This does not give us voting authority to pass decisions without majority board approval giving Western significant influence over the investment but not control. As such, the Corporation is accounting for this investment under the equity method.

Foothills Creamery Ltd.

Western holds a 50.4% interest in Foothills Creamery Ltd. ("**Foothills**"), 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 foodservice network spanning across western Canada, supported by two distribution facilities in Edmonton, Alberta, and Kelowna, BC. Foothills butter products are specially churned, using only the freshest cream to produce a smooth textured product with exceptional taste. Target markets for its butter products include grocery retailers and the foodservice industry, including commercial kitchens and bakeries. Ice cream sales are seasonal, and as such, its busiest quarters occur in the spring and summer months. Based on this seasonality, readers are cautioned not to weigh quarterly financial data equally for all quarters.

In the period ended March 31, 2021, Western recorded an equity loss of $354,387 from Foothills (March 31, 2020 - $163,816 loss). Western earns annual management fees of $75,000 from Foothills.

Financial highlights for Foothills (at 100%) are presented below:

	Three months ended March 31,	
Financial results ($)	2021	2020
Revenue	9,795,700	10,424,552
Gross profit	1,213,667	1,308,168
EBITDA	(492,391)	(35,276)
Net loss	(703,149)	(325,031)

While 2020 was a busy year for Foothills Creamery, the company struggled in dealing with changes brought on by the Pandemic. A change in the product composition of sales, namely an increase in the sales of low margin butter and a drop in other high margin products such as ice cream and specialty butter, resulted in a significant decline in gross margin. 2020 brought out weaknesses in many operational areas of the company and signalled the need for strong leadership. Western stepped in, in late 2020 to help manage the company and began the search for a new CEO.

We are incredibly proud to start off 2021 with the appointment in March of Bill Mckenzie as the new CEO at Foothills. Bill brings with him a solid background and depth of experience, and he has dived right in to get a handle on the various issues being encountered by the company. Western is confident the new management team will lead to vast improvements in profitability over the coming year.

Western has majority ownership of Foothills however appoints only two of seven directors to the board and does not have the voting authority to pass decisions without majority board approval. This gives Western significant influence but not control over the company. As such, the Corporation is accounting for our investment under the equity method.

Ocean Sales Group Ltd.

Western holds a 75% equity interest in Ocean Sales, a specialty retailer that imports and sells a line of specialty retail products through unique marketing channels across North America. The Company markets high-quality, innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the US. The Company also has a strategic relationship with Costco, a major North American retail chain, where it demonstrates a specially selected set of products in every location in Canada. The Company is headquartered in Calgary, Alberta, and is supported by strategically located warehouses in Washington, Ontario, and Quebec.

With the onset of COVID-19, all consumer shows and fairs throughout Canada and the US were cancelled from March 13, 2020, onward, with no determinable date of return at this time. The loss of this major source of revenue created an indicator of impairment of the company's intangible assets and goodwill. As a result, Ocean Sales tested its intangible assets and goodwill for impairment as at March 31, 2020. A value-in-use impairment test was based on internal forecasts and managements' best estimates at a specific point in time, and as a result, are subject to measurement uncertainty. This test resulted in a $4,775,521 impairment loss recorded at the company as at March 31, 2020. The impairment loss resulted from the loss of this significant revenue stream, plus decreases in most other streams affected by the Pandemic. Additionally, there is considerable uncertainty regarding when the consumer show 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 during the comparative period ended March 31, 2020.

For the period ended March 31, 2021, Western recognized equity income of $249,270 from Ocean Sales (March 31, 2020 - $3,570,977 equity loss including our share of the write-down of goodwill). In association with the above impairment assessment, Western no longer recognizes management fees earned for Ocean Sales.

Financial highlights for Ocean Sales (at 100%) are presented below:

	Three months ended March 31,	
Financial results ($)	2021	2020
Revenue	2,802,853	4,462,662
Gross profit	0	2,351,519
EBITDA	531,986	145,897
Net income (loss), before extraordinary item	321,546	(38,189)
Extraordinary item – intangible and goodwill impairment	-	(4,775,521)
Net income (loss)	321,546	(4,805,449)

We are proud of what Ocean Sales has been able to accomplish over the past year, given the extreme level of adversity they have faced. 2020 was full of constant challenges and extreme uncertainties, and management faced every obstacle head on, working tirelessly to keep the business going. After losing major revenue streams, the company shifted its focus to increasing its online presence by using online ads, social media, and discounts offered on the website. As the Pandemic continues, online marketing campaigns continue to grow along with an increasing number of successes in this area.

The company continues to take advantage of government subsidy programs, including the Canada Emergency Wage Subsidy, which has allowed them to keep critical employees on staff. It is difficult to accurately project the Pandemic's effect on future sales during this unprecedented time, particularly when so much of their business model is based on large gatherings at consumer shows. It remains impossible to predict when any exhibitor shows will return and what they will look like. Ocean Sales is continuing to increase digital marketing to drive online sales in both Canada and the US. Management has prepared a relaunch strategy to safely and profitably re-enter the consumer show market when the time is right. Despite the extreme hardships faced in 2020, the company has successfully managed its cash flow, and as seen in its first quarter results, has proven they can be resilient and successful at riding out the storm. Despite the significant drop in revenue, EBITDA and net income exceed that of the prior comparative quarter ended March 31, 2020.

Although the majority shareholder, the terms of the shareholders' agreement allow Western to appoint two of five directors giving Western significant influence over Ocean Sales but not control. As such, the Corporation is accounting for our investment under the equity method.

Golden Health Care

Western holds a 30% equity interest in three Saskatchewan senior care homes and a 25% interest in Golden Health Care Management Inc. The three homes are; 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 (together referred to as "**Golden**"). Two of these homes generally operate at or near 100% occupancy, with Hill View Manor currently operating at approximately 80%. Western is pleased to be part of the skilled and experienced management team at Golden Health Care Management Inc., which provides management services to a portfolio of seven retirement communities and approximately 457 retirement suites, all under the Golden Health Care banner.

Golden is a stable and modest revenue-producing investment in Western's portfolio, with the opportunity for future expansion as Golden is uniquely positioned to meet the needs of a growing health care segment. Golden Health Care is the largest full-service retirement operator in Saskatchewan. They have a unique model of "aging in place" where Golden's care homes adapt to the needs of individual residents from assisted living up to long-term care in each facility, maintaining a family environment rather than an institutional one regardless of the level of care required.

In the period ended March 31, 2021, Western recognized equity income from Golden of $59,524 (December 31, 2019 - $46,225). Western does not earn management fees from Golden.

Financial highlights for Golden (at 100%) are presented below:

	Three months ended March 31,	
Financial results ($)	2021	2020
Revenue	2,209,703	2,174,410
EBITDA	548,019	520,588
Net income	197,744	154,925

The senior homes continue to take a strict approach to combat COVID-19, implementing lockdown measures and infection control protocols to protect their residents. Staff is limited from working at different homes, and management's proactive efforts and strong leadership are to thank for our homes remaining nearly COVID-19 free. While keeping the safety of its residents as the number one priority, Golden continues to provide stable results.

Western appoints two of five members of the board of directors of Golden Health Care Management Inc., the company that oversees the operating companies. Through our shared ownership and appointments to the board of directors, the Corporation can exercise significant influence over the investment. Accordingly, the Corporation is using the equity method to account for it.

GlassMasters

Western holds a 61.3% investment in GlassMasters, an automotive glass service company with ten retail locations providing repair and replacement of auto glass and three automotive glass warehouses that import a full line of quality aftermarket glass parts and materials at competitive prices. Principal markets are in Alberta and Saskatchewan.

GlassMasters contributed an equity loss of $131,815 to Western's results in the period ended March 31, 2021 (March 31, 2020 - $239,956 loss). Western earns $75,000 annually in management fee revenue.

Financial highlights for GlassMasters (at 100%) are presented below:

	Three months ended March 31,	
Financial results ($)	2021	2020
Revenue	4,412,352	3,861,738
Gross profit	1,135,637	1,002,087
EBITDA	234,455	61,860
Net loss	(215,032)	(391,445)

After successfully navigating through a challenging 2020, GlassMasters entered 2021 with optimism and a return to its growth mindset. In March 2021, their tenth store opened in Regina, and results are already exceeding initial expectations. Their third warehouse location in Saskatoon, opened in late 2020, continues to grow and strengthen its customer base. With a heavy focus on mobile retail and account service and gains in external wholesale, revenue has increased 14% from the first quarter of 2020 and exceeds revenue earned in all first quarters since acquisition. Through strong leadership, teamwork, and operational excellence, the team at GlassMasters has worked to keep costs in check and has achieved gross profit and net income results above both 2020 and 2019 comparative periods.

After a short break while addressing the business interruption caused last year by the Pandemic, the company resumed aggressive debt repayment and in December 2020 refinanced their debt with a new lender at attractive terms. GlassMasters is now back to assessing potential expansion locations. Looking forward, we expect to see annual growth in revenue through opening new locations, obtaining new accounts, and the increase in pricing on "smart" windshields that are becoming more and more complicated to replace.

GlassMasters earns the majority of its income in the spring and summer driving months. Based on the seasonality of operations, readers are cautioned not to weigh quarterly financial data equally for all quarters.

Western has significant influence over GlassMasters given Western appoints two of six directors; however, this does not give Western control. As such, the Corporation has accounted for our investment under the equity method.

Summarized financial information about Western's associates and investments in these associates is disclosed in the notes to the financial statements.

Summary of Western's Quarterly Financial Information

Selected unaudited financial data for our operations during the last eight quarters are as follows:

in C$000s except for per share amounts	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019	Jun 30, 2019
Income/(loss)	(168.0)	333.7	666.8	846.7	(4,010.0)	868.9	606.1	721.10
Operating expenses	308.7	295.3	317.7	490.8	367.8	235.8	315.7	338.2
Net income (loss)	(476.7)	38.4	349.1	355.9	(4,377.8)	633.1	290.4	382.9
Earnings (loss) per share								
- Basic and diluted	(0.016)	(0.001)	0.011	0.012	(0.143)	0.021	0.009	0.013
Total assets	19,349.6	19,925.2	19,722.8	19,132.3	18,193.8	22,576.9	20,545.8	21,806.9
Total long-term liabilities	4,372.2	4,395.4	4,268.7	4,295.9	4,173.0	3,003.9	2,884.7	2,910.9

Quarterly trends and seasonality

Certain of the Corporation's associates experience seasonal fluctuations in activity and financial performance. Furthermore, the timing of the acquisitions (Fortress May 2019), and the impact of the Pandemic, has impacted quarterly results. As such, the prior years shown in the above table are not necessarily comparable and should not be relied upon as an indication of future performance.

As discussed above, our revenue has fluctuated greatly based on seasonality of many of our businesses and the timing of acquisitions, as well as the pervasive impact of the Pandemic. The first quarter is the slowest for many of our associates. The first quarter of 2020 was dramatically impacted by the goodwill impairment loss recorded at Ocean Sales which affected equity income.

Quarterly expenses are relatively stable. Quarterly fluctuations have resulted from costs such as directors' stock option issuances and due diligence expenditures on potential acquisitions.

Liquidity and Capital Resources

The following table is a summary of our statement of cash flow:

$	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash (used in) provided by operating activities	(208,919)	88,892
Cash provided by (used in) investing activities	106,890	(90,001)
Cash used in financing activities	(252,971)	(147,688)
Increase in cash	(355,000)	(148,797)
Cash, beginning of period	365,897	149,868
Cash, end of period	10,897	1,071

The net cash used in operating activities for the period ended March 31, 2021, relates to management fees less changes in working capital and cash flow required to fund operations, including general and administrative costs, professional fees, and salaries. Expenses currently exceed cash received from management fees.

Cash provided by investing in the period ended March 31, 2021, relates to dividends from associates less advances made. Cash used in investment activities for the comparative period 2020 related to advances made to associates.

Cash used in financing activities for the period ended March 31, 2021, related to repayments on the operating line and cash interest paid on the debentures. For the comparative period ended March 31, 2020, cash used in financing activities related primarily interest paid on debentures.

Our capital structure is composed of shareholders' equity and borrowings, less cash. The following table summarizes our capital structure:

$	March 31, 2021	December 31, 2020
Demand revolving operating loan facility	685,935	776,791
Loan from related party	1,200,000	1,200,000
Convertible debentures	3,172,216	3,195,446
Less: cash	(10,897)	(365,897)
Net loans	5,047,254	4,806,340
Shareholders' equity	14,101,838	14,606,931

In January of 2020, Western received a $1.2 million loan from Golden Health Care. The loan bears an annual interest rate of 4.09% with interest-only payable monthly and matures on January 31, 2021, with an automatic renewal option. The Corporation may prepay amounts owing at any time. The proceeds of this loan were used to repay the operating line of credit. Total annual interest payments on this loan are $49,080 per year. With the perpetual nature of the loan, Western does not currently have any intentions to repay the outstanding principal balance.

The convertible debentures were issued in 2019 to assist with the acquisition of Fortress and to fund daily operations. The debentures bear interest at 7.5%, resulting in $300,000 in annual interest payments paid semi-annually. If not converted, the debentures will mature with $4,150,000 payable on March 31, 2024.

The Corporation also has a demand revolving operating loan facility available 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. Security includes a share pledge agreement with respect to the Corporation's interest in some of its associates.

During the quarter ended December 31, 2020, Western entered into an amending agreement with its lender, adding a second loan facility in the form of a demand non-revolving reducing facility up to a maximum of $400,000. This facility is available on or before December 31, 2021, and bears interest at the bank's prime rate plus 2.5% per annum. Interest-only is payable monthly until January 1, 2022, after which the loan is repayable in blended payments of principal and interest on the last day of each fiscal quarter over a period of 12 months. As at March 31, 2021, and up to the date of this MD&A no amounts were drawn on the facility. The facility was obtained to provide additional funding for operational expenses given uncertainties faced during the Pandemic.

The Corporation generates operating cash from management fees and dividends from its portfolio investments. Western intends to raise equity capital when necessary to fund its expansion. The Corporation believes it can raise capital to fund this growth.

Convertible Unsecured Debentures

On May 9, 2019, the Corporation issued $4 million of unsecured convertible debentures, each with a principal value of $1,000 per debenture. Each debenture is convertible into common shares of Western at a conversion price of $0.55 per share. 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 the Common 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. These costs are allocated to 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 future payments made over the life of the financial instrument discounted at 13.9%, which was the approximate market rate available to the Corporation for similar debt without a conversion feature. The residual value of $793,814 (net of issuance costs) was allocated to the equity component. The liability will be accreted to the principal value using an effective rate of 16.5%.

Outstanding Share Data

No shares were issued in the period ended March 31, 2021, or the comparative period 2020. During the period ended March 31, 2021, 49,000 shares were repurchased by the Corporation in conjunction with its normal issuer bid at a cost of $12,115 (March 31, 2020 – 50,000 shares repurchased at a cost of $13,750). An additional 9,000 shares, repurchased on December 31, 2021 but held in treasury, were also cancelled in the quarter for a total reduction in shares outstanding of 58,000. This brings the total common shares outstanding at March 31, 2021, to 30,402,756 (December 31, 2020 – 30,460,756). As of the date of this MD&A, the total common shares outstanding were 30,402,756.

In the periods ended March 31, 2021, and March 31, 2020, no stock options were issued. The total stock options outstanding as at March 31, 2021, was 2,084,000 (March 31, 2020 – 1,724,000), with exercise prices ranging from $0.27 to $0.65. At March 31, 2021, 425,454 warrants are outstanding that were granted for broker compensation in line with the Debenture financing in April 2019. These warrants expired on April 9, 2021.

The Corporation has regulatory approval for a normal course issuer bid whereby Western may purchase up to 1,500,000 common shares in the capital of the Corporation representing approximately 4.9% of the total issued shares.

Off-Balance Sheet Arrangements

As at March 31, 2021, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

Related Party Information

In accordance with the terms of a shareholder agreement, Western earns an annual management fee from most of its associates. For the quarter ended March 31, 2021, the Corporation earned $62,500 in management fees from its associates (March 31, 2020 - $7,500, which includes $112,500 less $105,000 in fees written off during the quarter). As at March 31, 2021, $1,013,724 was due from associates (December 31, 2020 - $834,137), which is composed of cash advances, unpaid management fees, dividends receivable, and accrued interest. $822,309 of this amount is classified as a long-term receivable due to restrictions placed on some of our associates based on their bank covenants restricting payments to shareholders (December 31, 2020 – $788,200).

Key management personnel are persons responsible for planning, directing, and controlling the activities of the entity and include all directors and officers. For the period ended March 31, 2021, $89,346 in salary and benefits was paid to management (March 31, 2020 - $76,828).

Effective January 1, 2020, amounts receivable from GlassMasters to the Corporation will be subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western. As at March 31, 2021, the total amount due to Western was $521,521, which is included in long-term amounts due from related parties (December 31, 2020 - $487,412).

In the first quarter of 2020, Western provided liquidity support to Ocean by purchasing inventory on their behalf. The intention is to sell the inventory at a 5% mark up as needed by Ocean to satisfy orders from their customers. The substance of the transaction is viewed as a non-recourse loan with inventory as collateral and is included in the non-current amounts due from related party on the balance sheet. In the quarter ended March 31, 2020, $176,288 in inventory was sold to Ocean. No additional inventory has been sold to Ocean to date. As of the date of this MD&A, Western continues to own $300,767 in inventory. There are no other terms in place related to this inventory.

On January 31, 2020, Western received a shareholder loan from Golden in the amount of $1,200,000. The loan bears interest at 4.09% per annum, has interest only payable monthly, and matures on January 31 annually, with automatic annual renewal on each maturity date as long as all interest has been paid. No financial covenants are affecting the loan. Western recognized $141,000 in dividends declared by Golden during the quarter.

Related party transactions are in the normal course of operations and are recorded at fair value.

Risks and Uncertainties

The Corporation and its associates are subject to a number of risks as they relate to the organizational structure and the operations of each company. When reviewing forward-looking statements and information contained within this report, investors and others should carefully consider these factors, as well as other uncertainties, potential events, and industry and company-specific factors that may adversely affect the future results of each company. The Corporation and its associates' environment is highly competitive, and it is not possible for management to predict all risk factors or their impact these risks may have on the businesses. The annual MD&A sets out a brief discussion of the factors which may have a material impact on our future business or financial performance. No significant changes to those factors have occurred to date of this report.

Subsequent Events

There were no subsequent events between March 31, 2021, and up to the date of this MD&A.

Proposed transactions

As at March 31, 2021, and up to the date of this MD&A, there were no proposed transactions of the Corporation other than as disclosed herein.

Critical Accounting Estimates and Accounting Policies

This MD&A is based on the financial statements, which are prepared in accordance with IFRS. The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenues, expenses, and disclosures of contingent assets and liabilities. Actual results may differ from these estimates, and the differences could be material. Estimates, judgments, and assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years. The critical accounting estimates and judgments are described in detail in note 4 of Western's annual audited financial statements for the year ended December 31, 2020.

Financial Instruments and Risk Management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition, all financial instruments are recognized on the statement of financial position at fair value. Subsequently, all of Western's financial instruments, which include cash, accounts receivable, amounts due from related parties, accounts payable and accrued liabilities, and loans and borrowings, are measured at amortized cost.

The Corporation, as part of its operations, is exposed in varying degrees to a variety of risks from the use of financial instruments. Risk management strategies are established to identify and analyze risks faced and to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. As a result of the use of the above-mentioned financial instruments, we are exposed to risks that arise from their use, including market risk, credit risk, and liquidity risk. A detailed assessment of each of these risks is presented in the notes to the financial statements for the period ended March 31, 2021, to be read in conjunction with this MD&A.

Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this document constitute "forward-looking information". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Corporation's management, are intended to identify forward-looking information. Such statements reflect the Corporation's forecasts, estimates, and expectations, as they relate to the Corporation's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation's actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Corporation does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events, or developments unless required by law.

Description of Non-IFRS Measures

The Corporation uses accounting principles accepted in Canada under the International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS, including the non-IFRS measures "earnings before interest, taxes, and depreciation and amortization" ("EBITDA") used in relation to our analysis of the results of the Corporations associates.

The Corporation's method of calculating non-IFRS measures may differ from other issuers, and therefore may not be comparable to similar measures presented by other reporting issuers. These non-IFRS financial measures are included because management uses this information to analyze operating performance. Readers are cautioned that these non-IFRS financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.