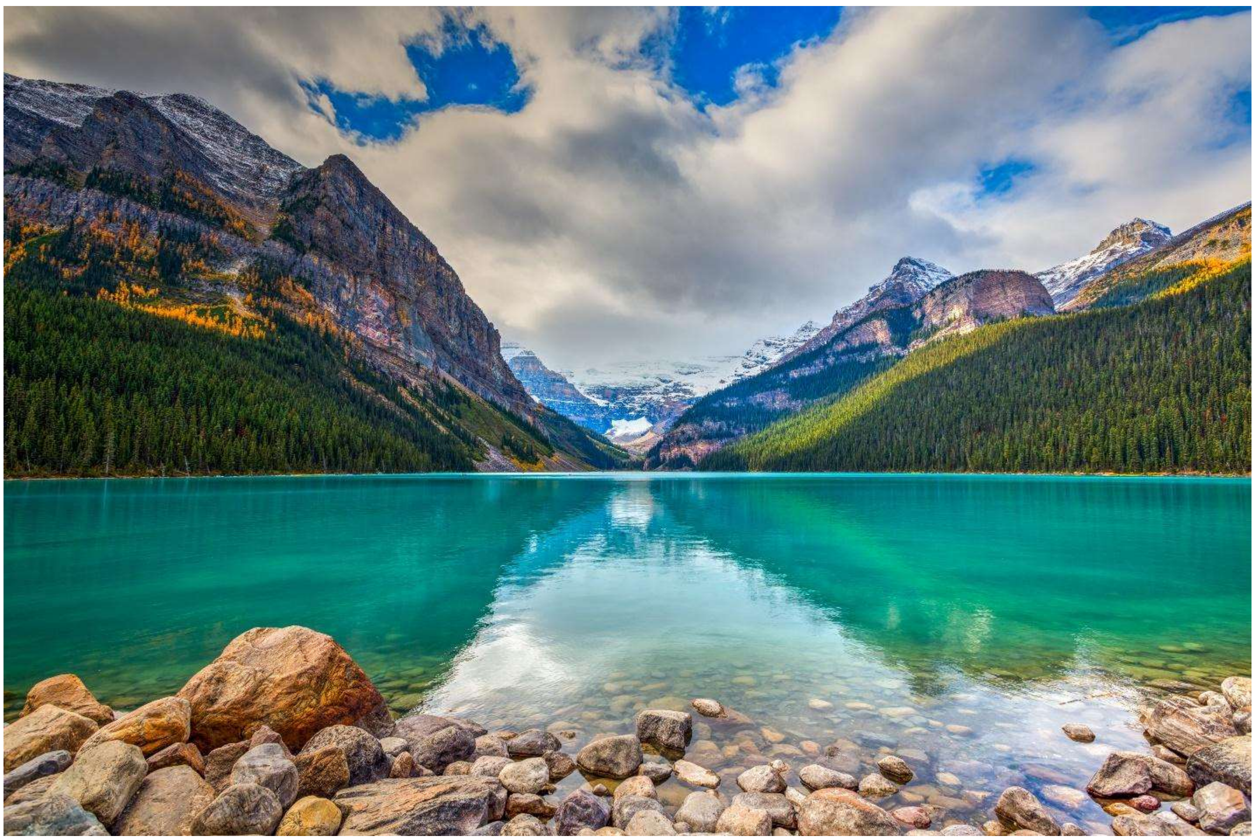
THE
WESTERN INVESTMENT
COMPANY OF CANADA LIMITED



Interim Management's Discussion and Analysis

Quarterly Highlights

For the period ended June 30, 2021

Dated: August 27, 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, and the unaudited interim financial statements for the six months ended June 30, 2021. The MD&A was prepared by management of Western and was approved by the Board of Directors on August 27, 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 August 27, 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 June 30, 2021

Earning over $0.02 per share, the second quarter of 2021 is the best quarter Western has had in over two years and our second-best quarter to date. One of the most significant accomplishments for 2021 is the turn-around seen at Ocean Sales group Ltd. ("**Ocean Sales**"). Despite still being grossly affected by the ongoing Pandemic, Ocean Sales has pivoted their business over the past year to develop new revenue streams. For the six months ended June 30, 2021, they are our number one contributing associate in terms of equity income. A year ago, at the onset of the Pandemic with operations ground to a halt, our investment in Ocean Sales had been written off our books. Today they are back on, and their net income for the first half of the year is the highest it has been since acquisition. We are immensely proud of the hard work the team there has put in over the past year to keep the company going and generate such positive results.

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 in late 2019. They now have six broker programs in place, with many more in negotiations, and a new insurance fronting agreement started up in April. Operations continue to ramp 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. Working with our associates every step of the way as they navigate 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 has focused on working with each of our associates in dealing with the evolving impact of the Pandemic. As we make our way through 2021, the operations at most of our associates have stabilized, and we are confident that 2021 will be a more profitable year.

Ocean Sales has been the most dramatically impacted by the Pandemic. With the cancellation of all consumer shows, the company lost its primary sources of revenue. Ocean Sales has worked to find other avenues to sell its products, expanding its online sales channels. Operations remain impacted to date, and the return of consumer shows to a profitable level remains uncertain. 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 online sales channels, and it is expected the company will benefit from this subsidy for much of 2021. Thanks to successes in the new on-line sales channel and government subsidy's, the company has generated the best results they have had in years. Looking into the future, the company is planning for its relaunch as consumer shows slowly start to return. 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 restarted its search for expansion opportunities. Foothill Creamery Ltd. ("**Foothills**") struggled with a change in its product sales mix in 2020, leading to a drop in gross margins. A new management team is now in place, and we expect to see many operational improvements there in 2021. We have already seen a vast improvement in gross margins in the second quarter of 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. It is not expected at this time that any draws will be required on this facility. 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 June 30,		Six months ended June 30,	
Financial results ($)	2021	2020[1]	2021	2020[1]
Revenue	1,112,206	826,690	944,174	(3,288,305)
Acquisition related expenses	-	-	-	-
Professional fees	63,300	75,601	120,029	106,842
Regulatory fees	23,456	21,524	35,775	33,271
Management salaries	105,444	167,437	194,790	244,265
Share based compensation	64,440	62,748	64,440	62,748
Interest	150,302	137,659	294,756	269,663
Other expenses	5,765	5,811	11,596	16,814
Total expenses	412,707	470,780	721,386	733,603
Net income (loss)	699,499	355,910	222,788	(4,021,908)
Net income (loss) per share	0.023	0.012	0.007	(0.132)

	June 30, 2021	December 31, 2020
Financial position ($)		
Working capital	(819,775)	(504,845)
Total assets	20,270,452	19,925,161
Operating loan	795,767	776,791
Loans and convertible debentures	4,503,264	4,395,446
Shareholders' equity	14,854,509	14,606,931

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

1 Prior year numbers have been restated to conform to current year presentation.

Revenue for the three and six months ended June 30, 2021 is the highest earned since the company's inception. With the global Pandemic still having a broad economic impact, we see this as a strong indicator of the strength of associates and their management teams. The second quarter was particularly strong with every one of our associates contributing positively to our equity income. $1,034,395 was earned in equity income for the quarter ended June 30, 2021, by far the best result for a quarter to date. The comparative six months of 2020 was dramatically impacted by a goodwill impairment loss recognized at Ocean Sales. Even before the effect of this impairment, we saw a significant improvement in equity earnings at every one of our associates in 2021.

In addition to equity income, Western earns a small amount of finance income on loans to associates and management fees of $250,000 per annum.

The increase in professional fees for the year to date relates to investor relations and market maker consultants hired in the third quarter of 2020. In the second quarter of 2021, this increase is counted by a decrease in legal and accounting fees incurred. Salaries are consistent with the prior year. The difference between the current and prior year relates to the accrual for bonus expense in 2020. Regulatory fees, share-based compensation, and other 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, and 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 for 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 June 30, 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 has now reached 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 now involves property insurance but Fortress also intends to offer insurance in niche products including 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. With reinsurance Fortress essentially shares the risk of each contract with other insurance companies.

For the six months ended June 30, 2021, Western recognized an equity loss of $63,764 from Fortress (June 30, 2020 - $112,201 loss). Western earns $100,000 annually in management fees from Fortress.

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

	Three months ended June 30,		Six months ended June 30,	
Financial results ($)	2021	2020	2021	2020
Gross premiums written	1,568,115	53,148	2,283,550	162,500
Total underwriting income	414,922	114,084	595,380	138,374
Net underwriting loss	(129,599)	(81,694)	(282,445)	(194,301)
Investment income (loss)	139,888	376,861	108,937	(108,937)
Net income (loss)	7,563	216,072	(127,528)	(228,966)

Management has accomplished a lot at Fortress in the two years since the inception of the business. Since its first program in late 2019, Fortress has demonstrated consistent growth, with increases in gross premiums written every quarter.

The second quarter of 2021 Fortress gross premiums written increased 119% compared to the first quarter. In April, Fortress signed a fronting agreement adding an additional revenue stream to its mix. A new license was also added this year, covering insurance for liability, fidelity, legal expenses and surety, giving the company more niche product offerings. The net underwriting loss increased slightly this year due to increases in salary expense required as the company grows and for claim settlements. Investment income has varied each quarter, affected by movement in the securities market. With Fortress focused on business development and still in its start-up phase, it is expected to be some time before they reach the break-even point.

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 28%. The low ratio is thanks to few claims in 2020. Our highest claim period is the third quarter with a lot of new business now on the books in 2021 and as such it is likely the ratio will increase in future quarters. However, we believe the ratio is still indicative of the quality business we have developed.

Looking forward, management is seeing rising premiums in the insurance market resulting from ongoing shortage of capacity and deeper relationships with brokers. 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, with its busiest quarters occurring 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 six months ended June 30, 2021, Western recorded an equity loss of $2,026 from Foothills (June 30, 2020 – equity income $15,250). Western earns annual management fees of $75,000 from Foothills.

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

	Three months ended June 30,		Six months ended June 30,	
Financial results ($)	2021	2020	2021	2020
Revenue	12,622,710	11,133,124	22,418,410	21,557,676
Gross profit[1]	2,525,526	1,707,345	3,075,123	2,322,882
EBITDA	1,394,039	913,134	901,648	877,857
Net income	699,128	355,288	(4,021)	30,257

1 Prior year numbers have been restated to conform with the current year classification. This includes the reclassification of certain expenses, such as direct labour reclassified to cost of sales.

With a new management team in place, Foothills made considerable gains in the second quarter of 2021, making up for a disappointing first quarter. Second-quarter revenue increased 13% from the prior year and is 5% ahead of budget. The main driver of this is ice cream sales, with a 54% increase over 2020. The company has added over 200 new accounts in an unusually hot spring. Gross margin percentage exceeded 2020 by nearly 5% due to the increase in high margin ice cream sales and a price increase in their contract butter price.

We see the second quarter of 2021 as the turning point Western has been working hard to get to over the past year. Not only did the company deliver strong top and bottom-line growth during this quarter, but they implemented strong governance to create a more transparent and consistent way of working. 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. Critical areas of attention have been identified and a plan is in place to address the problems. Under his guidance, the sales and marketing team has started to shift the business towards higher-margin products and are building relationships to yield opportunities and excitement for their brands and future partnerships. With new management heading the finance team, reporting practices are being improved to allow for more informed decisions that will help shape the company's future. The operations team is working hard to keep up with rapid growth and managing through a hectic and, at times, chaotic supply chain.

Year to date, the company is exceeding revenue and profitability targets, and management is confident that they will stay on track to deliver the full-year profit targets. Butter revenue is expected to flatten as the economy returns to normal post-lockdown. However, a shift in product mix is designed to deliver higher margins and is expected to continue as Foothills transforms towards a more premium supplier of ice cream and butter products.

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. 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 six months ended June 30, 2020.

For the six months ended June 30, 2021, Western recognized equity income of $452,003 from Ocean Sales (June 30, 2020 - $3,570,976 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 June 30,		**Six months ended June 30,**	
Financial results ($)	2021	2020	2021	2020
Revenue	3,147,309	824,910	5,950,162	5,287,572
Gross profit	2,012,384	623,049	3,839,169	2,974,568
EBITDA[1]	512,184	(125,176)	1,044,170	20,721
Net (loss) income, before extraordinary item	270,311	(249,924)	591,857	(288,114)
Extraordinary item – intangible and goodwill impairment	-	-	-	(4,775,521)
Net (loss) income	270,311	(249,924)	591,857	(5,063,635)

We are proud of what Ocean Sales has accomplished over the past year, given the extreme level of adversity they have faced. The past year has been full of constant challenges and 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 on-line ads, social media, and discounts offered on the website. Over the past year, online marketing campaigns have increased in number, with an increasing number of successes in this area. Once regular streams of revenue return, this additional business may be a silver lining adding to their future growth potential.

During the second quarter of 2021, there was some lifting of restrictions allowing for the return of more Costco roadshows. Restrictions in Ontario and Quebec have remained in place affecting summer plans. Ocean Sales worked to replace these with shows in open provinces, moving inventory and staff to areas where demonstration sales were allowed. During the quarter, there was some growth in the wholesale business in the US. Looking forward to the third quarter, it is expected that restrictions should lift in Ontario and Quebec to allow the return of those Costco roadshows. The company participated in its first Canadian fair with the Calgary Stampede in July.

Supply chain issues have provided to be an additional obstacle faced in 2021. Numerous shipments were significantly delayed resulting in the company having to defer revenue on high-demand products. Going forward, to deal with the global shipping delays, product will need to be ordered well in advance of previous years' timelines. The company continues to take advantage of government subsidy programs, including the Canada Emergency Wage Subsidy, allowing them to keep critical employees on staff. This subsidy has played an enormous role in the company's recovery and its ability to generate a profit. As government assistance is eliminated, the successful return of consumer shows and fairs will be critical to their continued success.

It continues to be difficult to accurately predict the Pandemic's effect on future sales. Despite the current trend of opening up the economy, the next virus season is just around the corner and there is still much uncertainty about what that will look like. It remains impossible to predict when exhibitor shows will return to near-normal levels. Ocean Sales is focusing on promoting its products through 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. Despite the extreme hardships faced, the company has successfully managed its cash flow, and as seen in its year-to-date results, has proven they can be resilient and successful at riding out the storm. EBITDA and net income have both improved significantly from the prior comparative period ended June 30, 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 June 30, 2021, Western recognized equity income from Golden of $91,511 (June 30, 2020 - $60,388). Western does not earn management fees from Golden.

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

	Three months ended June 30,		**Six months ended June 30,**	
Financial results ($)	2021	2020	2021	2020
Revenue	2,189,861	2,074,328	4,399,564	4,248,738
EBITDA[1]	451,935	414,456	999,954	935,044
Net income	105,368	48,635	303,112	203,560

While lockdown measures have been lifted to some degree, the senior homes continue to take a strict approach to combat COVID-19, implementing 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 equity income of $311,717 to Western's results in the period ended June 30, 2021 (June 30, 2020 - $173,955). Western earns $75,000 annually in management fee revenue.

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

	Three months ended June 30,		Six months ended June 30,	
Financial results ($)	2021	2020	2021	2020
Revenue	7,248,304	5,559,897	11,660,656	9,421,635
Gross profit	2,378,104	1,841,916	3,513,741	2,843,153
EBITDA	1,471105	1,456,548	1,705,560	1,517,558
Net income	723,544	675,221	508,512	283,776

After successfully navigating through a challenging 2020, GlassMasters entered 2021 with optimism and a return to its growth mindset. To date, management has delivered on this, with both revenue and EBITDA in the first half of 2021 exceeding every comparative period since acquisition. Revenue and gross profit are up 24% in the six months ended June 30, 2021, compared to 2020, and EBITDA is up 12%. Of even greater reason to celebrate, in the month of June 2021, GlassMasters achieved the highest sales, EBITDA, and net income that have ever been achieved in a single month by the company.

In other developments, GlassMasters opened their tenth store in Regina in March, and results are exceeding expectations. This location has already achieved break-even EBITDA just months after opening and continues to grow. A third warehouse location in Saskatoon opened in late 2020. Despite the harsh economic environment, we credit the company's recent success to the strong leadership, teamwork, and operational excellence being provided by the team at GlassMasters.

After a short break, while addressing the business interruption caused last year by the Pandemic, the company resumed aggressive debt repayment. In December 2020, it refinanced its 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. Global supply chain issues are predicted to impact the company, as it will so many other North American based businesses. Shipping delays are now a regular occurrence, and shipping surcharges have increased and are expected to escalate. Management is taking proactive steps to manage this new challenge.

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	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sept 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019
Income/(loss)	1,112.2	(168.0)	333.7	666.8	846.7	(4,010.0)	868.9	606.1
Operating expenses	412.7	308.7	295.3	317.7	490.8	367.8	235.8	315.7
Net income (loss)	699.5	(476.7)	38.4	349.1	355.9	(4,377.8)	633.1	290.4
Earnings (loss) per share								
- Basic and diluted	0.023	(0.016)	(0.001)	0.011	0.012	(0.143)	0.021	0.009
Total assets	20,270.5	19,349.6	19,925.2	19,722.8	19,132.3	18,193.8	22,576.9	20,545.8
Total long-term liabilities	4,503.3	4,372.2	4,395.4	4,268.7	4,295.9	4,173.0	3,003.9	2,884.7

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 onset of the Pandemic, have impacted quarterly results, particularly the first quarter of 2020, where the write-off of goodwill at Ocean Sales has a dramatic impact on equity income. 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. Revenue has fluctuated based on the seasonality of many of our businesses, with the first quarter typically being the slowest.

Expenses are relatively stable from quarter to quarter. Fluctuations have resulted from costs such as directors' stock option issuances and due diligence expenditures on potential acquisitions. Interest costs have been increasing as the Corporation has become increasingly leveraged over the past two years.

Earnings per share of $0.023 for the second quarter of 2021 is our strongest to date, thanks to solid results from each of our associates. We are expecting the third quarter of 2021 to also come ahead of past years.

Liquidity and Capital Resources

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

$	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash (used in) provided by operating activities	(303,437)	244,778
Cash provided by (used in) investing activities	91,580	(601,664)
Cash used in financing activities	(143,139)	213,491
Decrease in cash	(354,996)	(143,395)
Cash, beginning of period	365,897	149,868
Cash, end of period	10,901	6,473

The net cash used in operating activities for the period ended June 30, 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 six months ended June 30, 2021, relates to dividends from associates less advances made to associates. Cash used in investment activities for the comparative period 2020 related to advances made to associates primarily to support them during the onset of the Pandemic.

Cash used in financing activities for the six months ended June 30, 2021, relates primarily to interest paid on the debentures. For the comparative period ended June 30, 2020, cash used in financing activities included interest paid on debentures, advances taken on our operating loan offset by cash received on the related party loan.

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

$	June 30, 2021	December 31, 2020
Demand revolving operating loan facility	795,767	776,791
Loan from related party	1,200,000	1,200,000
Convertible debentures	3,303,264	3,195,446
Less: cash	(10,901)	(365,897)
Net loans	5,288,130	4,806,340
Shareholders' equity	14,854,509	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.

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 June 30, 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. It is not expected that this facility will be drawn on.

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 expired on April 9, 2021. The closing 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 six months ended June 30, 2021, or the comparative period 2020. During this period, 49,000 shares were repurchased by the Corporation in conjunction with its normal issuer bid at a cost of $12,115 (June 30, 2020 – 60,000 shares repurchased at a cost of $16,375). 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 June 30, 2021, to 30,402,756 (December 31, 2020 – 30,460,756). An additional 10,000 shares have been repurchased subsequent to June 30, 2021, and up to the date of the date of this MD&A, bringing the total common shares outstanding were 30,392,756.

In the six months ended June 30, 2021, 360,000 stock options were issued (June 30, 2020 – 360,000). On June 30, 2021, the total stock options outstanding was 2,444,000 (December 31, 2020 – 2,084,000), with exercise prices ranging from $0.27 to $0.65.

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 June 30, 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 six months ended June 30, 2021, the Corporation earned $125,000 in management fees from its associates (June 30, 2020 - $100,000, which includes $225,000 less $125,000 in fees written off during the quarter). As at June 30, 2021, $905,225 was due from associates (December 31, 2020 - $834,137), which is composed of cash advances, unpaid management fees, and accrued interest. $837,620 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 six months ended June 30, 2021, $194,444 in salary and benefits was paid to management (June 30, 2020 - $244,265).

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 June 30, 2021, the total amount due to Western was $536,862, 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 June 30, 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 current year to date.

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 June 30, 2021, and up to the date of this MD&A.

Proposed transactions

As at June 30, 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, including 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 June 30, 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.