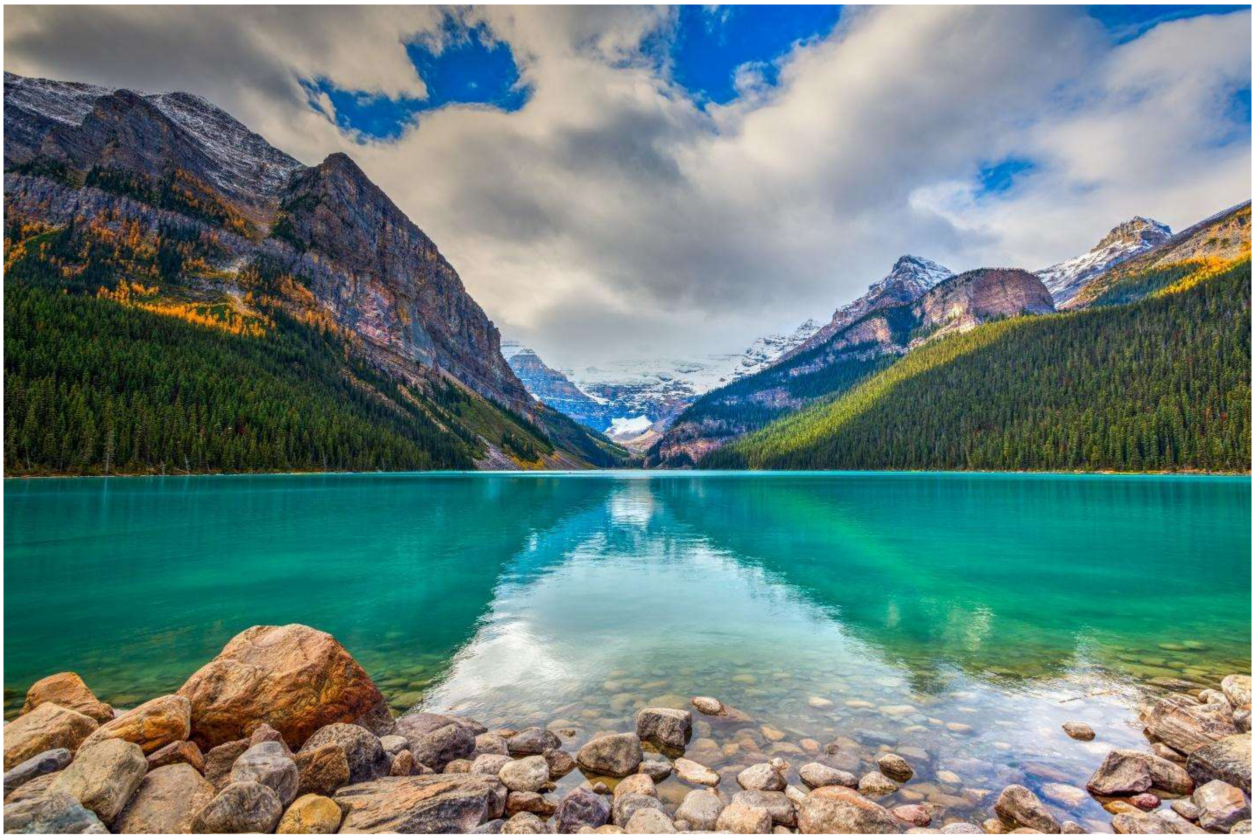
THE WESTERN INVESTMENT COMPANY OF CANADA LIMITED



# Interim Management's Discussion and Analysis

## Quarterly Highlights

For the period ended September 30, 2022

Dated: November 28, 2022

## 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, with ownership interest between 25% and 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, 2021. 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 the annual MD&A, for the period ended December 31, 2021. The MD&A was prepared by management of Western and was approved by the Board of Directors on November 28, 2022. 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 November 28, 2022;

| Investments | Acquisition Date | Ownership (%) |
|---|---|---|
| GlassMasters ARG Autoglass Two Inc. | December 16, 2016 | 55.3% |
| 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 | 49.6% |
| Fortress Insurance Company | May 6, 2019 | 28.3% |

## Key Highlights for the Period Ended September 30, 2022

For the third quarter of 2022, equity income came in below budgeted projections, with some associates struggling to achieve their targets. Global supply chain issues and the increasingly inflationary environment have impacted gross margins across the board, hitting almost every industry. Although results were lower than expected, we have a number of successes to report this year.

At GlassMasters ARG Autoglass Two Inc. ("**GlassMasters**"), we announced a transaction on February 1, 2022, where Western welcomed a new ownership partner. Fort McKay First Nation acquired a 39.3% stake in GlassMasters, which included a 3% interest purchased from Western. The purchase price demonstrates a 118% increase in value achieved since our original investment in the company five years ago. GlassMasters has not only met but has exceeded projections for 2022. Sales exceeded the prior year by 20%. Sales, gross profit, and normalized net income show their best performance since the company was acquired in 2016. Management has achieved these results despite ongoing economic challenges, such as inventory shortages that increased cost of sales hampering gross margins. We are grateful to our strong management team for successfully managing this challenging environment.

Business at Fortress Insurance Company ("**Fortress**") has fully taken off, with gross premiums written increasing by 207% from the comparative nine-month period of 2021. Fortress received approval for its license in Ontario in April, effectively doubling its market size. In October, the company closed a $5.3 million equity offering and signed a strategic agreement with a U.S. based partner. The equity financing and agreement will provide cash and value-added business partners to contribute to Fortress's continuing growth and development. Fortress has achieved profitability in their underwriting business, with net income hampered only by unrealized losses in their investment portfolio, which are subject to market forces outside their control. These losses will be recovered as the market recovers and, in the third quarter, were more than covered by the net underwriting income earned.

Disappointing results at Foothills Creamery Ltd. ("**Foothills**") have impacted Western's earnings to date as they struggle to improve gross margins, a key goal of theirs going into 2022. Sales have been lower than expected, and input costs are continually rising, making it challenging to incorporate the increases into their pricing strategy. The third quarter did earn a profit thanks to a busy season for high-margin ice cream products; however, their year-to-date results are well below expectations. Subsequent to quarter end, shareholders of Foothills, including Western, advanced funds to assist the company through this challenging time. Management is not taking these results lightly and are digging deep to cut costs and improve pricing models. Improving profitability at Foothills is one of Western's primary goals.

Ocean Sales ("**Ocean Sales**") has seen a turnaround in 2022 with consumer shows beginning to return to normal levels. Their success at re-entering this market has helped the company continue to be profitable despite no longer receiving government assistance.

Golden Health Care ("**Golden**") has navigated through the pandemic without significant outbreaks and has maintained high occupancy rates at most of our homes. Two of our three homes continue to have high occupancy levels, with one home dropping below expectations.

Overall, our nine-month results are hampered by a loss incurred from our equity investments. Our associates' earnings were affected by supply chain issues and inflation, both of which are affecting companies across the globe. Obtaining access to inventory, and increasing costs, are being managed by various means, including looking for alternative sources of supply and altering pricing strategies. We believe we have solid management and strategic plans in place for our associates, and we are working closely with associates to improve profitability.

## Review of Western's Operations and Financial Results

The financial highlights of the Corporation are:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($** | 2022 | 2021 | 2022 | 2021 |
| Revenue | 774,655 | 665,860 | 905,494 | 1,610,032 |
| | | | | |
| Professional fees | 52,516 | 78,675 | 210,153 | 198,704 |
| Regulatory fees | 7,002 | 3,913 | 41,370 | 39,651 |
| Management salaries | 93,388 | 94,392 | 283,597 | 289,182 |
| Share based compensation | - | - | 51,964 | 64,440 |
| Interest | 169,596 | 152,365 | 488,269 | 447,121 |
| Other expenses | 10,364 | 4,860 | 23,443 | 16,455 |
| Total expenses | 332,866 | 334,205 | 1,098,796 | 1,055,553 |
| | | | | |
| **Net income (loss)** | **441,789** | **331,655** | **(193,302)** | **554,479** |
| Net income (loss) per share | 0.015 | 0.011 | (0.006) | 0.018 |

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Financial position ($)** | | |
| Working capital | (883,005) | (1,107,695) |
| Total assets[1] | 19,043,542 | 19,297,650 |
| Operating loan | 836,685 | 1,014,292 |
| Loans and convertible debentures | 4,737,054 | 4,619,991 |
| Shareholders' equity[1] | 13,346,639 | 13,518,625 |

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Western Share Count Information** | | |
| Common shares issued and outstanding | 30,287,756 | 30,338,756 |

1 Certain amounts from the prior year have been revised as a result of a prior period adjustment recorded at one of our associates. The restatement affects the 2021 opening balances for total assets and shareholders' equity, and as a result, the December 31, 2021 balances have been restated. See note 4 to the financial statements for further details.

The equity loss from Western's investment in associates significantly impacts total revenue earned. In addition to equity income, Western earns finance income on loans to associates and management fees, including commission income earned from Fortress. We expect fees earned for 2022 to be consistent with the prior year.

Expenses are expected to be relatively stable, with a slight increase in year-to-date professional fees related to the GlassMasters share disposition. Interest expense has increased over time with rising interest rates.

The fourth quarter is slow for many of our associates, and we expect equity income to be lower. In the coming year, we expect to see steady growth in the insurance business and expansion at GlassMasters. We are focused on returning Foothills to profitability.

## Net Asset Value

To provide our shareholders with an idea of the actual value of our investments, we completed a market value assessment of each associate company as at December 31, 2021. For accounting purposes, each investment is recorded based on the equity method of accounting, whereby the investment is initially recognized at cost and adjusted thereafter for our share of the investee's profit or loss. The methods used to determine the market value estimate of each associate are outlined below. We believe providing this estimate gives our investors better insight into the true underlying value of their investment in Western.

The market value assessment shows the value of our equity investments is significantly above the current carrying value. If we adjust our net book value as at December 31, 2021, to account for the inherent market value of our investments, the value per share is $0.82. This is approximately double the current market price of our shares, demonstrating the true value our shareholders hold.

Below is a comparison of the carrying value of our associates as at December 31, 2021, with the estimated market value:

| $ | Original purchase price | December 31, 2021 Carrying Value | Estimated Market Value | Unrealized Gain |
|---|---|---|---|---|
| Golden Health Care | 4,738,192 | 4,922,833 | 6,450,966 | 1,528,133 |
| Fortress Insurance Company | 1,690,000 | 1,956,214 | 4,515,536 | 2,559,322 |
| Ocean Sales Group Ltd. | 3,450,000 | 862,587 | 2,850,000 | 1,987,413 |
| Foothills Creamery Ltd.[1] | 3,251,000 | 3,301,364 | 5,420,758 | 2,119,394 |
| GlassMasters ARG Autoglass Two Inc. | 4,010,000 | 7,437,882 | 10,703,527 | 3,265,645 |
| **Total value of investment in associates** | **17,139,192** | **18,480,880** | **29,940,787** | **11,459,907** |

1 The carrying value of Foothills has been restated as a result of a prior period adjustment related to 2020. See note 4 to the financial statements for further details.

Using the estimated market value of our associates as outlined above, the net asset value of Western as at December 31, 2021, is:

| $ | | Estimated Market Value |
|---|---|---|
| Current assets | | 51,338 |
| Due from related parties | | 765,432 |
| Investment in associates | | 29,940,787 |
| Current liabilities | | (1,159,034) |
| Loan from related party | | (1,200,000) |
| Convertible debentures | | (3,419,991) |
| Net asset value | | 24,978,532 |
| Common shares outstanding | | 30,338,756 |
| Value per share | $ | 0.82 |

The approach we used to value each company depended on their unique characteristics and the available information and market support. Below is a summary of the methods used to develop our market estimate.

The market value of each Golden Health Care company was calculated by taking a multiple of adjusted net operating income ("NOI") per their 2022 budget, reduced by the net long-term debt held by the company. Directors and management fees were removed to determine adjusted NOI. In determining the multiple, we used the rates from the purchase price calculation at acquisition in 2017, which took into account market-based transactions for similar homes. The acquisition in 2017 was an arms-length transaction, and we believe the rate used in the negotiations represented a market rate. We note there has been a recent transaction in the retirement home space, demonstrating a higher multiple; however, homes and locations can be difficult to compare. We have chosen to be conservative and continue with our historical rate.

A common valuation technique for insurance companies is a multiple of tangible book value. We reviewed comparative market transactions and noted a wide range in multiples from 1.1 to 4.7 of book value or tangible book value. Taking an average of 2.2 multiple on book value and 2.9 on tangible book value (book value less intangible assets), we calculated a valuation for each and then took the average of these. Fortress Insurance raised additional outside capital in the fourth quarter of 2022. The value per share obtained from this raise was greater than this valuation showing the valuation method used here was conservative.

The market value of Ocean was estimated with the assistance of a certified business valuator advisor. The valuation method was the income approach, specifically a discounted cash flow method based on the Company's forecasts. Under the discounted cash flow method, business enterprise value was determined by discounting the Company's forecasted discretionary cash flows with an appropriate discount rate, approximated by the Company's weighted average cost of capital ("WACC"). Discretionary cash flows were based on management's financial projections for the fiscal years ending December 31, 2022, to 2025. Forecasted EBITDA was tax affected based on the expected federal and Alberta corporate tax rate of 23%. The WACC used in the calculation was 12-13%. It was calculated by weighting the required returns on interest-bearing debt and equity capital in proportion to their estimated percentages. To the business enterprise value, we added the estimated fair market value of the net redundant assets (primarily real estate), net of taxes and selling costs, and subtracted the Company's net debt.

Like Ocean, Western used the assistance of a certified business valuator advisor to complete a valuation assessment at Foothills. The valuation method was the income approach, specifically a discounted cash flow method based on the Company's forecasts. Under the discounted cash flow method, business enterprise value was determined by discounting the Company's forecasted discretionary cash flows with an appropriate discount rate, approximated by the Company's weighted average cost of capital ("WACC"). Discretionary cash flows were based on management's financial projections for the fiscal years ending December 31, 2022, to 2024. Forecasted EBITDA was tax affected based on the expected federal and Alberta corporate tax rate of 23%. The WACC used in the calculation was 26%. It was calculated by weighting the required returns on interest-bearing debt and equity capital in proportion to their estimated percentages. To the business enterprise value, we added the estimated fair market value of the net redundant assets (primarily real estate), net of taxes and selling costs, and subtracted the Company's net debt.

GlassMasters was valued based on the recent arms-length transaction that closed on February 1, 2022, in which our new partner Fort McKay First Nation, acquired a 39.3% stake in GlassMasters. In line with this transaction, GlassMasters shares have been valued at $2.18 per share.

## Summary of Equity Investments

Below is a summary of the results of each of Western's associates for the period ended September 30, 2022. 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

Fortress is a western Canadian licensed insurance company focusing on specialty and surplus lines of business within the western Canadian insurance marketplace. The principal business for Fortress involves property insurance but the company also offers insurance in niche products, including accident & sickness, liability, boiler & machinery, marine, fidelity, legal expense, and surety. Fortress is licensed in five provinces from BC to Ontario, and all three territories.

Management has been actively working on developing relationships with its broker network and on negotiating for reinsurance contracts to mitigate the risk taken by Fortress. With reinsurance, Fortress essentially shares the risk of each contract with other insurance companies. Expanding the broker network allows Fortress to penetrate deeper into the market and offer greater capacity to brokers.

For the nine months ended September 30, 2022, Western recognized an equity loss of $155,352 from Fortress (September 30, 2021 - $124,445 loss). Western also earns a small commission for bringing in new policies.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($)** | 2022 | 2021 | 2022 | 2021 |
| Gross premiums written | 4,155,025 | 1,406,062 | 11,452,996 | 3,694,550 |
| Total underwriting income | 1,081,155 | 196,390 | 2,227,236 | 791,770 |
| Net underwriting profit (loss) | 335,639 | (214,324) | 389,043 | (496,769) |
| Investment income (loss) | (63,691) | 35,068 | (811,770) | 144,005 |
| Net income (loss) | 199,881 | (121,362) | (310,704) | (248,890) |

Fortress continues to demonstrate significant growth, with increases in gross premiums written each year, including a 207% increase this year-to-date compared to 2021. In 2022, Fortress added another property insurance program, signed on two new reinsurers, and added one new fronting program. In the second quarter, Fortress was approved for its license in Ontario, doubling its current market size.

The company's underwriting business has now achieved break-even. Total underwriting income has almost doubled from the prior year. Net underwriting income exceeded management's expectations thanks to lower-than-expected claims and administration costs. The net results for the year-to-date were hampered by a significant loss incurred in their investment portfolio, which fluctuates primarily based on market forces. The bond market had its worst performance in decades, and with 71% of Fortress's holdings in bonds, this translated into significant unrealized losses as holdings are reported at market value. As markets recover, Fortress will also show a recovery in this area. Fortress is expecting to see continued growth in premiums written.

Gross premiums written include all premiums written during the period, including both earned and unearned, auto insurance premiums, and fronting fees earned. Fortress continues to expand its fronting programs. Fronting is the process where a registered insurer transfers the risk to an unlicensed third party. The fronting insurer is used to ensure the policy is issued by a locally licensed insurer.

The trailing 12-month loss ratio as at September 30, 2022 (incurred losses over earned premium) is 35%. There is now significantly more business on the books than in the comparative year. We believe the ratio is indicative of the quality business Fortress has developed. A prior year comparative ratio is not meaningful due to the low amounts of business on the books at that time, and differences in accounting.

On October 19, 2022, Fortress closed a $5.3 million equity offering and signed a strategic agreement with a U.S. based specialty insurance company. This equity financing includes a plan to provide Fortress with the resources and expertise to offer specialty surety products in Canadian commercial insurance markets through a comprehensive underwriting and reinsurance agreement. This transaction will contribute to Fortress's continuing growth and development, providing it with capital, capacity and growth opportunities for years to come. The capital raised will be used to execute the expansion into Ontario and to increase the capacity of their existing programs. The transaction has diluted Western's ownership interest in Fortress from 50% to 28%. Western will recognize a gain on dilution that is estimated to be approximately $750,000 in the fourth quarter.

Western had equal ownership of Fortress with its partner (as at September 30, 2022) and appoints two of seven 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. Subsequent to September 30, 2022, Western's ownership of Fortress was reduced to 28.3%. This still gives Western significant influence and therefore there is no change to the method of accounting.

**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 food service network 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 food service industry, including commercial kitchens and bakeries. Ice cream sales are seasonal, with the 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 nine months ended September 30, 2022, Western recorded an equity loss of $390,027 from Foothills (September 30, 2021 – equity income of $92,178). Western earns annual management fees of $75,000 from Foothills.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($)** | 2022 | 2021 | 2022 | 2021 |
| Revenue | 11,290,923 | 11,723,829 | 27,759,841 | 34,142,239 |
| Gross profit | 1,979,777 | 1,769,724 | 4,134,102 | 4,844,847 |
| EBITDA | 561,171 | 660,698 | 405,138 | 1,562,346 |
| Net (loss) income | 65,622 | 186,913 | (773,863) | 182,892 |

Foothills' third quarter sales hit targets thanks to the hot summer weather; however, the company failed to achieve the planned increase in gross margin. While the intention was to decrease the sales volume of low margin butter and focus on higher margin products, due to many factors, this shift in product mix did not achieve the desired bump in gross margins as planned. The current inflationary environment has affected all input costs, hitting not only the cost of cream but every cost across the board. 2022 also saw an unexpected reduction in the Alberta Milk rebate received on cream purchases that, for the nine months ended September 30, 2022, has had a $1.1 million impact on profits. These factors prevented the shift to higher margin products from achieving targets and have resulted in forecasted year-to-date EBITDA being missed by over $1.5 million.

Management is actively addressing the issues faced and is committed to making the business profitable. Cost increases will be more readily passed on to the customers with an adjusted pricing strategy that will better manage the volatility being experienced in input costs and government rebates. An aggressive cost cutting initiative is currently underway, aiming at decreasing overhead. Cash flow will be the main priority moving forward, and the company is currently negotiating with its lender to adjust its financing arrangements. The company is off-side on its banking covenants, and as such, no payments will be made to shareholders, including management fees, for the near future. Subsequent to September 30, 2022, shareholders, including Western, advanced funds to the company to assist them through this difficult time. Western is committed to helping the company succeed. We are not where we wanted to be with Foothills at this point, and it is a challenge we will focus on through the remainder of the year and into 2023.

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 quality, innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the US and through a 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 also operates online sales channels and has a newly launched presence directed at television shopping and social media customers. The Company is headquartered in Calgary, Alberta, and is supported by warehouses in Washington, Ontario, and Quebec.

For the nine months ended September 30, 2022, Western recognized equity income of $316,931 from Ocean Sales (September 30, 2021 - $662,523). Western does not recognize management fees earned for Ocean Sales.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($)** | 2022 | 2021 | 2022 | 2021 |
| Revenue | 6,361,793 | 4,075,210 | 15,746,351 | 10,025,372 |
| Gross profit | 3,652,359 | 2,397,811 | 9,045,299 | 6,236,981 |
| EBITDA | 527,475 | 520,419 | 1,110,274 | 1,564,589 |
| Net income | 247,949 | 280,693 | 421,128 | 872,550 |

Ocean Sales continues its recovery as operations move towards pre-pandemic levels. The three major shows running over the summer reached sales volumes in line with 2019. Overall sales for the year-to-date are up 57%, and gross profit up 45% over the prior year. The company has expanded its workforce, and payroll expense has outpaced the growth in gross profit, bringing EBITDA and net income for the third quarter comparable to the prior year. If we remove the government assistance that the company received in 2021, both EBITDA and net income for the year-to-date exceed that of 2021. No government assistance was received in 2022.

Supply chain issues have been an obstacle this year, with product shipments subject to lengthy delays and increased shipping costs. This affects revenue on high-demand products that can not be restocked in time for planned shows, resulting in lost sales opportunities. Increasing inflation also affects costs of sales, which cuts into product margins. The company is seeing international shipping beginning to stabilize. However, domestic logistics continue to be a concern.

Looking forward, the company is focused on finding new and innovative products to add to their lineup. The ability to source fresh new products will be a key to their future success. Fall home show season runs through November, and a number of Christmas fairs are on the agenda to wrap up 2022.

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 above 90% occupancy, with Hill View Manor occupancy currently fluctuating around 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 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. 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.

In the nine months ended September 30, 2022, Western recognized equity income from Golden of $62,739 (September 30, 2021 - $138,124). During this period, Golden declared $138,000 in dividends payable to Western (September 30, 2021 - $141,000).

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($)** | 2022 | 2021 | 2022 | 2021 |
| Revenue | 2,134,869 | 2,249,099 | 6,516,406 | 6,648,663 |
| EBITDA[1] | 341,840 | 499,907 | 1,196,042 | 1,499,861 |
| Net income | 6,705 | 155,374 | 206,510 | 458,486 |

Revenue has fallen short from the prior year due to dropping occupancy at the Hill View Manor home, which has been operating in a loss position for 2022. Occupancy at our other homes has remained high, with results exceeding 2021. Obstacles to improving occupancy numbers include the general reputation of private long-term care homes, the inability to do tours because of health restrictions, and the overall cost of long-term care beds. Private homes, in particular, must compete with government-run homes subsidized by tax dollars. Golden homes do not currently receive any government subsidization, which is an area we are working to change.

Payroll and other costs have escalated in line with the current economic environment. One of the key challenges encountered is attracting and retaining qualified staff. Overall staffing costs have increased at all homes as the company has to pay more to attract personnel. Management works hard to provide residents with the best care and environment possible. To date, they have not lost a resident to Covid-19.

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 58.2% 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.

On February 1, 2022, Western announced a transaction resulting in a new ownership partner at GlassMasters. Our new partner purchased all the shares from ATB Private Equity, plus an additional 3% from Western. This reduced our ownership from 61.3% to 58.2%. The transaction was priced at $2.18 per share, representing a valuation of GlassMasters that has more than doubled since the acquisition in 2016. In line with the transaction, Western recognized a gain of $152,772.

On April 1, 2022, the shareholders of GlassMasters passed a special resolution to distribute $8 million in capital to shareholders by way of reducing the stated capital on the Class "A" common shares. The distribution will be treated as a return of paid-up capital for tax purposes and will be paid by the issuance of a 5-year term promissory note, bearing interest at a rate equal to the prime rate of the Bank of Montreal plus 10%. The return of capital and related promissory note issued to Western was $4,658,559. The interest earned on the note payable will provide an additional revenue source for the Corporation and create tax efficiencies at the operating company. The intention is for the note to be renewed indefinitely, and it is considered part of Western's total investment in GlassMasters.

GlassMasters contributed equity income of $337,584 to Western's results in the nine months ended September 30, 2022 (September 30, 2021 - $606,532) and $381,078 in financing income (September 30, 2022 - $nil). Western earns $75,000 annually in management fee revenue.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Financial results ($)** | 2022 | 2021 | 2022 | 2021 |
| Revenue | 8,758,398 | 7,140,984 | 22,715,744 | 18,801,640 |
| Gross profit | 2,694,079 | 2,155,060 | 6,722,964 | 5,668,228 |
| EBITDA | 1,328,070 | 1,161,291 | 2,920,948 | 2,866,977 |
| Net income | 381,426 | 480,811 | 585,122 | 989,450 |
| Note payable interest paid to shareholders | 299,000 | - | 566,334 | - |
| Adjusted Net income[1] | 680,426 | 480,811 | 1,151,456 | 989,450 |

1 Interest on the April 1, 2022 shareholder notes payable was added back to net income to provide normalized operating income and for comparative purposes to the prior year.

GlassMasters continues to have a record-breaking year, with third quarter revenue, EBITDA, and adjusted net income exceeding every comparative period since acquisition. For the nine months ended September 30, 2022, revenue was up 21%, and gross profit was up 19% from 2021. Normalized net income, which removes shareholder interest, exceeds the prior year by 16%, with the gains in gross profit countered by an increase in general and administrative expenses from additional marketing investment and the absence of government pandemic assistance. GlassMasters has expanded its radio advertising and call center, translating into growth in sales. In line with the current inflationary environment, the company has also experienced general increases in costs such as property taxes, fuel, and utilities.

Gross margins have been affected by global supply chain issues where shipping delays are a regular occurrence, and shipping surcharges continue to escalate. Inventory orders are arriving months behind schedule, leading to stock shortages that require sourcing more expensive glass from local suppliers. The lead time needed to order next season's inventory has risen, adding to cash borrowing requirements. Management is taking proactive steps to manage this new challenge. To address the current supply chain issues, management continues to expand and diversify its available suppliers, working with them to keep costs down.

GlassMasters continues to look for opportunities to expand. We expect annual revenue growth through opening new locations, obtaining new accounts, and the increase in pricing on “smart” windshields that are becoming 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 | Sept 30, 2022 | Jun 30, 2022 | Mar 31, 2022 | Dec 31, 2021 | Sept 30, 2021 | Jun 30, 2021 | Mar 31, 2021 | Dec 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| Income/(loss) | 774.7 | 538.7 | (407.9) | (158.9) | 665.9 | 1,112.2 | (168.0) | 174.0 |
| Operating expenses | 332.9 | 400.5 | 365.4 | 299.9 | 334.2 | 412.7 | 308.7 | 295.3 |
| Net income (loss) | 441.8 | 138.2 | (773.3) | (458.8) | 331.7 | 699.5 | (476.7) | (121.3) |
| **Earnings (loss) per share** | | | | | | | | |
| - Basic and diluted | 0.015 | 0.005 | (0.026) | (0.015) | 0.011 | 0.023 | (0.016) | (0.004) |
| | | | | | | | | |
| Total assets[1] | 19,043.5 | 18,612.0 | 18,221.0 | 19,297.7 | 19,706.5 | 19,130.4 | 18,209.5 | 18,785.0 |
| Total long-term liabilities | 4,737.1 | 4,746.4 | 4,605.7 | 4,620.0 | 4,484.3 | 4,503.3 | 4,372.2 | 4,395.4 |

1 As a result of a prior period adjustment recorded at one of our associates, total assets have been reduced by $204,134 dating back to December 31, 2020. See note 4 to the financial statements for further details.

## Quarterly Trends and Seasonality

Certain associates of the Corporation experience seasonal fluctuations in activity and financial performance. As such, the prior periods 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 our businesses, with the first and fourth quarters typically being the slowest, depending on the associate. All quarters to date in 2022 fell short of expectations due to lower than anticipated equity income. Expenses are relatively stable from quarter to quarter. Interest costs have increased with rising interest rates.

## Liquidity and Capital Resources

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

| $ | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|---|---|---|
| Cash used in by operating activities | (93,609) | (402,352) |
| Cash provided by investing activities | 744,171 | 137,217 |
| Cash used in by financing activities | (648,163) | (86,862) |
| Increase (decrease) in cash | 2,399 | (351,997) |
| Cash, beginning of period | 23,318 | 365,897 |
| **Cash, end of period** | **25,717** | **13,900** |

The net cash used in operating activities for the period ended September 30, 2022, 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 and finance income. The improvement in operating cash flows from the prior year is due to interest received on the GlassMasters note payable issued in April 2022.

Cash provided by investing in the nine months ended September 30, 2022, relates to the proceeds received on the sale of GlassMasters shares and dividends from associates. Cash provided in investment activities for the comparative period 2021 is related to dividends received less advances made to associates.

Cash used in financing activities for the nine months ended September 30, 2022, and 2021 relates primarily to interest paid on the debentures and repayments on our operating loan. In addition, in July 2022, Western paid its first dividend to shareholders.

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

| $ | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Demand revolving operating loan facility | 836,685 | 1,014,292 |
| Loan from related party | 1,200,000 | 1,200,000 |
| Convertible debentures | 3,537,054 | 3,419,991 |
| Less: cash | (25,717) | (23,318) |
| Net loans | 5,548,022 | 5,610,965 |
| Shareholders' equity[1] | 13,346,639 | 13,518,625 |

1 Shareholders' equity as at December 31, 2021 has been restated as a result of a prior period adjustment recorded at one of our associates. See note 4 to the financial statements for further details.

Western holds 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 each year, with automatic annual renewal. The Corporation may prepay amounts owing at any time. Total annual interest payments on this loan are $49,080 per year. With the perpetual nature of the loan, Western has no current 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 September 30, 2024. See note 7 to the September 30, 2022, interim financial statements for further information on the debentures.

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. Subsequent to September 30, 2022, this facility was amended to be a committed revolving facility. Effective October 6, 2022, this is now a committed loan facility with a three-year revolving period to maturity. Interest remains at the bank's prime rate plus 2%, and the standby fee is now 0.5% per annum on the unused portion.

The Corporation generates operating cash from finance income, management fees, and dividends from its portfolio investments. The Corporation has a working capital deficiency that is most notably related to the $811,813 operating line, which as at September 30, 2022, was due on demand and therefore recorded as a current liability. Effective October 6, 2022, this line is now a committed facility with a three-year term. Western is dependent on the performance of its associates to provide sufficient cash flow to the Corporation to cover operating expenditures and relies on the operating line to cover any shortfall. Western projects the operating line balance to fluctuate as expenses are incurred, and cash is generated from associates. Management uses forecasts to monitor and manage the cash position and ensure sufficient room is available to meet operating requirements.

## Outstanding Share Data

No shares were issued in the periods ended September 30, 2022, and 2021. During the nine months ended September 30, 2022, 51,000 shares were repurchased by the Corporation in conjunction with its normal course issuer bid at a cost of $19,043 (September 30, 2021 – 69,000 shares repurchased at a cost of $19,090). This brings the total common shares outstanding at September 30, 2022, to 30,287,756 (December 31, 2021 – 30,338,756). No additional shares have been repurchased subsequent to September 30, 2022, and up to the date of this MD&A. Currently, the total common shares outstanding is 30,287,756. 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.

In the nine months ended September 30, 2022, 220,000 stock options were issued (September 30, 2021 – 360,000). On September 30, 2022, the total stock options outstanding was 2,664,000 (December 31, 2021 – 2,444,000), with exercise prices ranging from $0.27 to $0.65.

## Off-Balance Sheet Arrangements

As at September 30, 2022, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

## Related Party Information

The Corporation has incurred related party transactions with management and the Corporation's associates. A detailed description of these transactions is presented in the notes to the financial statements for the period ended September 30, 2022, to be read in conjunction with this MD&A. 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 the 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

On Oct 1, 2022, 421,579 common shares of GlassMasters were issued to management in accordance with the exercise of employee stock options. This option exercise has resulted in the dilution of Western's ownership interest in GlassMasters from 58.2% to 55.3%. Western will recognize a loss on dilution in relation to this transaction of approximately $136,436.

On October 13, 2022, Western signed an amended and restated commitment letter with its lender. The Corporation's operating loan facility was amended to become a committed revolving facility. The amended facility has a three-year revolving period with a maturity date of October 6, 2025. The interest rate remains at the bank's prime rate plus 2% per annum and carries a standby fee of 0.5% per annum on the unused portion.

On October 19, 2022, Fortress closed a $5.3 million equity offering and signed an agreement with U.S. based Indemnity National Insurance Company. This transaction resulted in the dilution of Western's ownership interest in Fortress from 50% to 28%, and the recognition of a gain on dilution. The final amount of the gain that will be recognized is not yet determined, but it is estimated to be approximately $754,000.

On October 27, 2022, the Corporation advanced $250,000 to Foothills Creamery in the form of a shareholder loan bearing interest at 13% per annum. Unpaid interest shall be added to the principal sum owing. The loan has a one-year maturity date, with the option to extend for two consecutive six-month periods. At the maturity date, Western has the option to convert the outstanding principal sum, together with all accrued and unpaid interest, into shares of Foothills at a conversion price of $1.00 per share. If the conversion option is exercised, Western will receive share purchase warrants of Foothills in the amount of one-third of one share purchase warrant for every one share issued upon conversion of the loan. Each warrant shall entitle Western to purchase one share of Foothills.

On November 9, 2021, 100,000 common shares in the capital of Foothills were issued from treasury to a member of management at a price of $1.0 per share. This transaction has diluted Western's investment in Foothills from 50.4% to 49.6%. The gain on dilution recognized on this transaction is not expected to be material.

### Proposed transaction

As at September 30, 2022, 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 5 of Western's annual audited financial statements for the period ended December 31, 2021.

## 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 September 30, 2022, 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.