The Western Investment Company of Canada Limited

Financial Statements
December 31, 2022 and 2021

Independent auditor's report

To the Shareholders of
The Western Investment Company of Canada Limited

Opinion

We have audited the financial statements of **The Western Investment Company of Canada Limited** [the "Corporation"], which comprise the statement of financial position as at December 31, 2022, the statement of loss and comprehensive loss, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of The Western Investment Company of Canada Limited for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on May 19, 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of investment in Foothills Creamery Ltd.</td></tr>
<tr><td>As more fully described in Note 6 to the financial statements, the Corporation’s investment in associates at December 31, 2022 included a 49.6% ownership of Foothills Creamery Ltd. (Foothills) with a carrying value of $2.45 million. Note 4 to the financial statements describes the Corporation’s accounting policy for investments in associates, including determining whether there is any indication that its investments in associates may be impaired. If any such indication exists, the recoverable amount is estimated. As of December 31, 2022 the Corporation identified indicators that its investment in Foothills may be impaired and as such, estimated the recoverable amount, which was measured as the investment’s fair value less costs to sell. Management determined that the recoverable amount exceeded the carrying amount of the investment and consequently no impairment was recorded. The Corporation discloses the indicators of impairment and its estimates and assumptions in respect of the impairment analysis in note 6 of the financial statements.

Auditing management's impairment assessment of the investment in Foothills was complex given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the investment in Foothills. Significant assumptions included revenue growth rates, EBITDA margins, terminal growth rate, and discount rate, which are affected by expectations about future market and economic conditions.</td><td>To test the estimated recoverable amount of the Corporation’s investment in Foothills, our audit procedures included, among others:

• With the assistance of our valuation specialists, we evaluated the appropriateness of the Corporation’s impairment model and valuation methodology and certain significant assumptions, including the terminal growth rate and discount rate.
• We tested the formulas used and the computational accuracy of the Corporation’s impairment model.
• We evaluated the historical accuracy of the Corporation’s estimates on cash flow projections, including revenue growth rates and EBITDA margins by comparing management’s past projections to actual performance.
• We compared forward looking assumptions to historical financial information and market and economic trends, and we evaluated whether changes to the significant assumptions would impact the impairment conclusion.
• With the assistance of our valuation specialists, we performed sensitivity analyses on significant assumptions, including terminal growth rate and the discount rate, to evaluate the change in the estimated recoverable amount that would result from changes in the assumptions.
• We assessed the adequacy of the Corporation’s disclosures in the accompanying financial statements in relation to this matter.</td></tr>
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Other information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Karen Fischer.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
May 19, 2023

The Western Investment Company of Canada Limited

Statements of Financial Position

As at December 31, 2022 and 2021

	2022 $	2021 $
Assets		
Current assets		
Cash	25,715	23,318
Accounts receivable	371	-
Due from related parties (note 18)	382,558	22,223
Prepaid expenses	7,642	5,799
	416,286	51,340
Due from related parties (note 18)	861,716	765,432
Investments in associates (note 6)	17,337,423	17,673,647
Total assets	18,615,425	18,490,419
Liabilities		
Current liabilities		
Operating loan (note 7)	-	1,014,292
Accounts payable and accrued liabilities	154,512	144,742
	154,512	1,159,034
Operating loan (note 7)	1,200,316	-
Loan from related party (note 8)	1,200,000	1,200,000
Convertible debentures (note 9)	3,683,173	3,419,991
Total liabilities	6,238,001	5,779,025
Shareholders' Equity		
Share capital (note 10)	15,688,381	15,714,798
Contributed surplus (note 10)	1,477,805	1,418,468
Equity component of convertible debentures (note 9)	793,815	793,815
Accumulated other comprehensive income	22,978	22,978
Deficit	(5,605,555)	(5,238,665)
Total shareholders' equity	12,377,424	12,711,394
Total liabilities and shareholders' equity	18,615,425	18,490,419

Nature of operations and continuance of operations (note 2)
Subsequent events (note 20)

Approved by the Board of Directors

"Scott Tannas" Director   "Jennie Moushos" Director

The accompanying notes are an intergral part of these financial statements

The Western Investment Company of Canada Limited

Statements of Loss and Comprehensive Loss

For the years ended December 31, 2022 and 2021

	2022 $	2021 $
Income		
Income (loss) from equity investments (note 6)	(613,687)	312,161
Finance income (note 19)	601,682	66,045
Gain on disposal and dilution (note 16)	950,638	-
Management fees (note 19)	284,271	270,000
	1,222,904	648,206
Expenses		
Legal fees	72,908	17,569
Accounting fees	123,835	96,642
Regulatory fees	44,244	43,011
Consulting fees	67,018	123,393
Other	33,044	20,777
Salaries and benefits (note 19)	378,154	383,157
Interest on convertible debentures (note 9)	563,183	524,545
Interest on operating loan (note 7)	54,850	32,836
Interest on related party loan (note 8)	49,080	49,080
Share-based compensation (note 10)	51,964	64,440
	1,438,280	1,355,450
Net loss and comprehensive loss for the year	(215,376)	(707,244)
Net loss per common share (note 15)		
Basic and diluted	(0.007)	(0.023)
Weighted average number of common shares outstanding (note 15)		
Basic	30,298,633	30,398,326
Diluted	30,518,365	30,494,583

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

The Western Investment Company of Canada Limited

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2022 and 2021

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Equity component of convertible debentures $	Accumulated other comprehensive income $	Deficit $	Total shareholders' equity $
Balance – December 31, 2021	30,338,756	15,714,798	-	1,418,468	793,815	22,978	(5,238,665)	12,711,394
Repurchase of shares (note 10)	(51,000)	(26,417)	-	7,373	-	-	-	(19,044)
Issuance of share-based compensation (note 10)	-	-	-	51,964	-	-	-	51,964
Dividends paid (note 14)	-	-	-	-	-	-	(151,514)	(151,514)
Net loss for the year	-	-	-	-	-	-	(215,376)	(215,376)
Balance – December 31, 2022	30,287,756	15,688,381	-	1,477,805	793,815	22,978	(5,605,555)	12,377,424
Balance – December 31, 2020	30,460,756	15,777,991	(1,823)	1,328,857	793,815	22,978	(4,531,421)	13,390,397
Repurchase of shares (note 10)	(122,000)	(63,193)	1,823	25,171	-	-	-	(36,199)
Issuance of share-based compensation (note 10)	-	-	-	64,440	-	-	-	64,440
Net loss for the year	-	-	-	-	-	-	(707,244)	(707,244)
Balance – December 31, 2021	30,338,756	15,714,798	-	1,418,468	793,815	22,978	(5,238,665)	12,711,394

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

The Western Investment Company of Canada Limited

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	2022 $	2021 $
Cash provided by (used in):		
Operating activities		
Net loss for the year	(215,376)	(707,244)
Adjustments for non-cash items		
Loss (income) from equity investments (note 6)	613,687	(312,161)
Gain on disposal (note 16)	(950,638)	-
Interest on convertible debentures (note 9)	563,183	524,545
Amortization of deferred financing fee	1,375	-
Share-based compensation (note 10)	51,964	64,440
Interest paid on convertible debentures (note 9)	(300,000)	(300,000)
Net change in non-cash working capital (note 17)	(352,779)	22,772
Cash used in operating activities	(588,584)	(707,648)
Investing activities		
Advances to related parties	(363,797)	(61,816)
Repayments from related parties	267,513	84,584
Proceeds on sale of investment in associate (note 6)	535,175	-
Dividends from associate (note 6)	138,000	141,000
Cash provided by investing activities	576,891	163,768
Financing activities		
Advances on operating loan (note 7)	201,149	237,500
Financing fees paid	(16,500)	-
Dividends paid to shareholders (note 14)	(151,514)	-
Repurchase of shares (note 10)	(19,045)	(36,199)
Cash provided by financing activities	14,090	201,301
Net increase (decrease) in cash	2,397	(342,579)
Cash – Beginning of year	23,318	365,897
Cash – End of year	25,715	23,318
Supplemental cash flow information		
Interest paid	403,930	381,916

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

1 Incorporation

The Western Investment Company of Canada Limited ("Western" or the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 28, 2015. The Corporation's common shares began trading on December 20, 2016 and are listed on the TSX Venture Exchange under the stock symbol "WI".

2 Nature of operations

The head office and principal address of the Corporation is 1010 24th Avenue S.E., High River, Alberta, T1V 2A7 and the address of the registered office is Suite 1600, Dome Tower, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The financial statements of the Corporation for the year ended December 31, 2022 were approved and authorized for issuance by the Corporation's Board of Directors on May 19, 2023.

Western's strategy is to acquire a diversified portfolio of established Western Canadian private businesses and create value through the identification, acquisition and long-term ownership of private businesses with sustained cash flows and strong potential for organic growth.

Western's targeted industry verticals align with the industry expertise of the Board of Directors and include: (i) financial services and insurance; (ii) retail and distribution; (iii) human services; (iv) agriculture and related services; and (v) special situations. Western's ideal acquisition enterprise value is between $10 million to $100 million and it will consider ownership between 25% and 100%. Western will prospect acquisitions from: (i) director and executive networks; (ii) mid-market accounting and M&A advisors; and (iii) private equity and corporate divestitures.

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

Following are the companies Western has invested in to date (see note 6 for additional information):

GlassMasters – Equity Investment

On December 16, 2016, GlassMasters ARG Autoglass Two Inc. ("GlassMasters") became Western's first investment. In 2022, the Corporation disposed of 5% of its shares in GlassMasters, and had some dilution with the exercise of employee stock options at Glassmasters, bringing the Corporation's total investment in GlassMasters at December 31, 2022 to 55%. GlassMasters is an automotive glass service company providing repair and replacement of automotive glass and an automotive glass warehouse that imports to sell wholesale a full line of quality aftermarket glass parts and materials. GlassMasters' principal markets are in Alberta and Saskatchewan.

Golden Health Care – Equity Investment

In 2017, the Corporation acquired a 30% interest in three Saskatchewan senior care homes (Hill View Manor Ltd. in Estevan, The Good Shepherd Villas Inc. in Prince Albert, and William Albert House Ltd. in the Regina suburb of Emerald Park), and a 25% interest in Golden Health Care Management Inc. (together referred to as "Golden"). The management company, Golden Health Care Management Inc., oversees the operations of a portfolio of senior care homes, including, but not limited to, the homes that the Corporation has investments in. The homes that operate under the Golden Health Care banner include a number of senior care homes that Western does not have ownership in. Golden Health Care is the largest full-service retirement operator in Saskatchewan.

Ocean Sales Group Ltd. – Equity Investment

In 2018, the Corporation acquired a 75% interest in Ocean Sales Group Ltd. ("Ocean"), a speciality retailer that imports and sells a line of speciality retail products through unique marketing channels across North America. Ocean has four divisions: consumer shows where it markets high-quality innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the United States; Costco where it demonstrates a select set of products within its Canadian stores; wholesale; and on-line. Headquartered in Calgary, Alberta, Ocean has four strategically located warehouses in Alberta, Washington, Ontario and Quebec.

Foothills Creamery Ltd. – Equity Investment

In 2018, Western acquired a 50% interest in Foothills Creamery Ltd. ("Foothills"). Foothills is a producer and distributor of high-quality butter and ice cream products with over 50 years of operations in Western Canada. Headquartered in Calgary, Alberta, it serves customers through a large grocery retail and food service network spanning across Western Canada, supported by two distribution facilities in Edmonton, Alberta and Kelowna, British Columbia.

Fortress Insurance Company – Equity Investment

In 2019, Western acquired a 50% interest in Fortress Insurance Company ("Fortress"). On October 19, 2022 Fortress completed an equity offering diluting the Corporation's ownership to 28%. Fortress is a registered and regulated insurance company offering speciality and surplus lines of commercial and property insurance within the western Canadian insurance marketplace. Fortress has regulatory licences in western Canada, Ontario, and the territories.

3 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis of measurement

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and were prepared on a going concern basis under the historical cost convention.

The preparation of financial statements necessitates the use of judgments, estimates and assumptions that will affect assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as income and expenses during the reporting periods.

4 Summary of significant accounting policies

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods and services that have been purchased in the normal course of business and are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Revenue recognition

The Corporation's revenue includes management fees earned from its associates and financing income which is primarily interest earned on related party receivables. Management fees are recognized when the Corporation has satisfied its performance obligations, which occurs evenly over the term of the contract. Finance income is recognized as it is earned on an accrual basis. The Corporation's revenue transactions do not include any financing components. The Corporation does not have any long-term contracts with unfilled performance obligations.

Stock-based compensation

The Corporation has a stock option plan in accordance with the policies of the TSX Venture Exchange, which allows the Board of Directors to grant options to directors, officers, employees and consultants of the Corporation to purchase common shares of the Corporation at a stipulated price. The option grants will not exceed 10% of the issued and outstanding common shares of the Corporation. In addition, the number of common shares reserved for issuance to any one person will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any consultant or employee will not exceed 2% of the issued and outstanding common shares.

The Corporation measures these amounts at fair value at the grant date using the Black-Scholes option pricing model and compensation expense is recognized over the vesting period.

Investments in associates

Associates

An associate is an entity over which the Corporation exercises significant influence, without having control or joint control. The Corporation's investments in associates are accounted for using the equity method. Under this method, investments are initially recognized at cost and, thereafter, the carrying amount is increased or decreased by the Corporation's post-acquisition share of the associate's profit or loss and decreased by distributions received.

The Corporation's share of its associates' post-acquisition net income or losses is recognized in the statements of income (loss) and comprehensive income (loss), and its share of the post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of each investment.

The Corporation determines at each reporting date whether there is any objective evidence that an investment in associate is impaired. If this is the case, the Corporation calculates the amount of the impairment as the difference between the recoverable amount and its carrying value and recognizes the amount as an impairment to investments in associates on the statements of income (loss) and comprehensive income (loss). In assessing the recoverable amounts for the investments in associates, the Corporation applies International Accounting Standard 36 to the carrying amount of the investment and IFRS 9 to any other interests in the associates that do not form part of the net investment.

Current income tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statements of financial position and their corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable income nor the accounting income.

Deferred income taxes are provided on temporary differences arising on investments in associates, except for deferred income taxes where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized on extinguishment. A modification of a financial liability with an existing lender is evaluated to determine whether the amendment results in substantially different terms in which case it is accounted for as an extinguishment.

All financial instruments are initially measured at fair value, adjusted for transaction costs (where applicable), on the statements of financial position. The Corporation measures financial instruments in subsequent periods depending on how the instrument has been classified. Financial instruments classified as measured at amortized cost are measured initially at fair value, and subsequently at amortized cost using the effective interest rate method. This includes the Corporation's cash, accounts receivable, certain amounts due from related parties, the operating loan, accounts payable and accrued liabilities, convertible debentures and a loan from related party. Financial instruments classified at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This includes certain amounts due from related parties. The Corporation does not have any financial assets at fair value through other comprehensive income.

Financial assets and liabilities are not offset unless they are with a counterparty for which the Corporation has a legally enforceable right to settle the financial instruments on a net basis and the Corporation intends to settle on a net basis.

Convertible debentures

Convertible debentures are separated into liability and equity components based on the terms of the contract. On issuance of the convertible debentures, the fair value of the liability component is determined using the market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible debentures, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current market assessments of the time value of money and the risks specific to the asset. The calculation takes into account net cash flows to be received on disposal of the asset at the end of its useful life. Fair value less costs to sell is the estimated amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data, based on discounted future cash flows.

An impairment loss is recognized when the carrying amount of any asset exceeds its estimated recoverable amount. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and the loss is recognized in income or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Provision for expected credit losses

The Corporation reviews each receivable individually for collectability. The Corporation's receivable are primarily due from related parties and the assessment takes into account areas of judgment including their ability to pay, the Corporation's level of influence over the collectability, and future forecasts. Where an amount is determined to not be collectable a provision is taken and the loss is recognized in income or loss.

Related party transactions

Transactions with related parties are entered into at the exchange amounts, which are the amounts established and agreed to by the parties.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Definition of accounting estimates – amendments to IAS 8

In February 2021, the International Accounting Standards Board ("IASB") issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as the fact is disclosed.

The amendments are not expected to have a material impact on the Corporation's financials statements.

Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Corporation is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements.

Classification of liabilities as current or non-current – Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of the liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Corporation is currently assessing the impact of these amendments on its financial statements.

Income taxes – amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12 Income Taxes, which requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This will be effective on January 1, 2023. The impact of this amendment is not expected to have a material impact on the Corporation's financial statements.

5 Accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of the amount, event or action, actual results ultimately may differ from those estimates.

Use of the equity method for the Corporation's investments in associates

Western holds an equal or majority equity interest in GlassMasters, Ocean, and Foothills. However, pursuant to shareholders' agreements governing these associates, Western does not have the right to appoint a majority of board members. The shareholders' agreements mandate certain other terms and conditions, including that certain significant decisions require the approval of a majority of board members in order to be approved (i.e. approval of annual business plan and budget), and this would include the appointment or removal of senior management and board members. As a result, Western's investments in these associates meet the definition of 'significant influence' and therefore have been accounted for as investments in associates using the equity method of accounting.

Investment entities

Western has assessed whether it would qualify as an investment entity as defined in IFRS 10, "Consolidated Financial Statements", which requires that a company invest funds solely for returns from capital appreciation, investment income, or both, and evaluates the performance of its investments on a fair value basis. Western noted that it would not qualify as an investment entity as there is no clear exit strategy for its investments as part of its business plan for the investments and does not primarily evaluate its investments based on their fair values. As a result, Western has accounted for its investments in associates using the equity method.

Share-based compensation

Option pricing models require the input of highly sensitive assumptions including the expected price volatility, expected dividends and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate.

Compound financial instruments

Western has issued convertible debentures that require judgment to determine whether the security should be classified as an equity instrument, a financial liability or a compound financial instrument with both equity and liability components. Key factors impacting the classification of these instruments include the existence of maturity dates, mandatory interest and principal payments, conversion and redemption rights, subordination to other equity instruments and the ability to settle the instrument in cash or equity.

Impairment of investments in associates

The Corporation reviews the carrying amounts of its investments in associates whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the amount by which the carrying value of the investment exceeds the estimated recoverable value is charged to the statements of income (loss) and comprehensive income (loss). To determine the recoverable value, the Corporation uses a discounted cash flow method based on the associates' forecasts. Under the discounted cash flow method, business enterprise value is determined by discounting the discretionary cash flows with an appropriate discount rate, approximated by the associates weighted average cost of capital. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Going concern assessment

In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future.

In their assessment, management has considered a wide range of factors relating to expected cash inflows and outflows such as the $4 million of unsecured convertible debentures that mature on March 31, 2024. The Corporation intends to roll these into replacement debentures for an additional five-year term. The exact terms of the new debentures have yet to be determined. The Corporation's ability to meet this obligation depends on the successful issuance of replacement debentures. A risk exists that the Corporation will not be successful in raising sufficient capital. Should this situation occur, in order to continue as a going concern, the Corporation will need to dispose of some or all of its investment in an associate, as necessary to meet the obligation.

During the year, the Corporation converted its revolving operating loan to a committed facility. This provided greater certainty on the availability of financing for operations. Management maintains a regularly updated multi-year cash flow forecast and believes it will have sufficient cash flow from associates and adequate capacity on the operating loan to fund operations and satisfy its obligations in the normal course of operations for at least the next twelve months.

Impact of the pandemic and economic instability

The COVID-19 pandemic restrictions eased significantly over the course of 2022. While the operations of the Corporation and its associates are no longer significantly impacted, there continues to be negative effects on the economy leading to significant future business uncertainties. These uncertainties include, but are not limited to, ongoing inflation impacting the cost of goods sold and operating expenses, rising interest rates, labour shortages, and supply chain disruptions.

The ability of each of the Corporation's associates to continue operations in the ordinary course of business is dependent on, among other things, each associate's operational performance, terms of covenants and repayment obligations with their lenders and the successful navigation of each associate through the challenges that have surfaced relating to the current economic environment. Management believes that the regular payment of liabilities will be met out of cash, operating cash flows and available credit facilities.

As at December 31, 2022, certain of the Corporation's associates were not in compliance with financial covenants contained within their loans and borrowings. Some associates have negotiated, or are in the process of negotiating, revised terms with their lenders to provide temporary adjustments to covenants. Management of Western believes that the Corporation itself has sufficient capacity on its operating facilities to meet all obligations over the next 12 months. Each associate is carefully managing its capital to meet obligations.

6 Investments in associates

The investments in associates balance consist of:

	2022 $	2021 $
Western's interest in Fortress Insurance Company	2,575,686	1,956,214
Western's interest in Foothills Creamery Ltd.	2,450,120	3,356,718
Western's interest in Ocean Sales Group Ltd.	-	-
Western's interest in Golden Health Care	4,781,768	4,922,833
Western's interest in GlassMasters ARG Autoglass Two Inc.	7,529,849	7,437,882
	17,337,423	17,673,647

a) Nature of investments in associates

Glass Masters ARG Autoglass Two Inc.

The Corporation acquired a 50% interest in GlassMasters in 2016 and acquired an additional 11% on December 31, 2019. On February 1, 2022, the Corporation disposed of a 3 % interest, and there was some minor dilution in the fourth quarter with the exercise of employee stock options, bringing Western's total equity interest in GlassMasters as at December 31, 2022 to 55%.

In line with the February disposition the Corporation sold 245,493 shares to a new partner for proceeds of $535,175, recognizing a capital gain of $166,411. In the fourth quarter 421,579 shares of GlassMasters was issued from treasury to a member of management. A $95,812 gain was recognized by the Corporation as a result of the dilution of its investment.

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 has been treated as a return of paid-up capital for tax purposes and was 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 related to Western's shareholdings was $4,658,559. During the year ended December 31, 2022, $517,488 has been earned on this note, with $187,701 of this receivable as at December 31, 2022. This promissory note is considered part of Western's net investment in GlassMasters.

Western has two of six directors appointed to the GlassMasters' Board of Directors. Through the extent of its share ownership and its seats on the Board of Directors, the Corporation has the ability to exercise significant influence but not control over GlassMasters and accordingly, the Corporation is using the equity method to account for this investment.

Golden Health Care group of companies

The Corporation acquired a minority interest in Golden in 2017. Western appoints two of nine directors of the Board of Directors of Golden Health Care Management Inc., the company that oversees the operating companies. Through its share ownership and its appointments to the Board of Directors, the Corporation can exercise significant influence over the investment in Golden and accordingly, the Corporation is using the equity method to account for this investment. The financial statement reporting date for Golden is August 31st; however, the Corporation records equity income aligned with its reporting periods. As at August 31, 2022, one of the homes was in breach of a covenant. The bank has indicated they will not demand repayment.

Ocean Sales Group Ltd.

The Corporation acquired a 75% interest in Ocean in 2018. Western appoints two of five directors to the Board of Directors, and as such has the ability to exercise significant influence over Ocean but not control and accordingly, the Corporation is using the equity method to account for this investment.

In 2020, a write-off of goodwill resulted in the carrying value of Western's investment in Ocean dropping below zero, and as such the Corporation is no longer recognizing its share of net income and losses. Western's share of the unrecognized loss for the year ended December 31, 2022 was $173,615, and the cumulative losses to date are $196,608. Ocean records a cumulative translation adjustment as part of the consolidation of its foreign subsidiary that has a functional currency of US dollars. Western's share of this adjustment is recognized in other comprehensive income when applicable.

In December 2022, Ocean signed a new financing agreement, however the agreement was not funded until early 2023. As at December 31, 2022, Ocean was relying on the previous facility for which Ocean was in breach of certain of its financial covenants. Western provided an assignment and pledge of its shares in Ocean, as part of a guarantee on the original financing.

Foothills Creamery Ltd.

The Corporation acquired a 50.4% interest in Foothills in 2018. During 2022, 107,576 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 resulted in the dilution of Western's investment in Foothills from 50.4% to 49.6%. Western recognized a gain on dilution in relation to this transaction of $11,172.

In completing the impairment assessment in 2022 Western noted, impairment indicators were present, including but not limited to having a history of losses, being offside on bank covenants, and increasing interest rates. Because these indicators were present, an impairment test was performed to compare the investments carrying amount with its recoverable amount. The recoverable amount was determined based on a fair value less cost to sell calculation using the discounted cash flow method. The cash flow projections were based on Foothills' 5-year forecast, which had been approved by senior management. Cash flow projections beyond the 5-year period were extrapolated using a terminal growth rate. Based on this test, the investment's recoverable amount exceeds its' carrying amount and therefore no impairment was recorded.

The key assumptions, which are based on level 3 inputs, used in the discounted cash flow model, and the sensitivity of those assumptions are as follows:

- Revenue growth rate of 9.7% for 2023, decreasing to 6.5% per year for the remainder of the forecast period, and 3% for the terminal period. A reduction of less than 1% in the annual revenue growth rate would result in the recoverable amount being equal to the carrying amount.

- EBITDA margin of 3.1% for 2023, increasing to 7.4% over the forecast period, and 8.7% for the terminal period. A reduction of less than 1% in the annual EBITDA margin would result in the recoverable amount being equal to the carrying amount.

- Discount rate of 17.5%, approximated by Foothill's weighted average cost of capital. A 0.5% increase in the discount rate would result in the recoverable amount being equal to the carrying value.

Western appoints two of seven directors of the Board of Directors, and as such has the ability to exercise significant influence over Foothills but not control and accordingly, the Corporation is using the equity method to account for this investment.

As at December 31, 2022 and December 31, 2021, Foothills was in breach of certain of its financial covenants. Foothills is currently in negotiations with their lender to revise the terms of its loans.

Fortress Insurance Company

The Corporation acquired a 50% interest in Fortress in 2019. On October 19, 2022, Fortress closed a $5.2 million equity offering and signed a strategic agreement with U.S. based Indemnity National Insurance Company. This transaction has resulted in the dilution of Western's ownership interest in Fortress from 50% to 28%, and the recognition of a gain on dilution of $677,243.

Western appoints two of eight directors to the Board of Directors and as such has the ability to exercise significant influence over Fortress but not control and accordingly, the Corporation is using the equity method to account for this investment.

b) Summarized financial information for associates

The below summarized financial information of each associate (disclosed at 100%) is presented in accordance with IFRS, prior to any intercompany eliminations, adjusted to reflect any adjustments required when applying the equity method of accounting for each investment.

Summarized financial information as at December 31, 2022 and for the year then ended

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $
Current assets	7,232,508	1,630,434	5,752,804	8,890,521	25,044,521
Non-current assets	21,101,520	18,375,007	1,628,187	23,952,296	-
Current liabilities	8,082,735	12,413,983	7,443,341	26,118,179	16,422,002
Non-current liabilities	15,447,010	23,136	340,108	1,718,470	-
Net assets	4,804,283	7,568,322	(402,458)	5,006,168	8,622,519
Revenue	29,098,831	8,692,073	18,762,749	35,226,186	3,431,255
Total net income (loss) and comprehensive income (loss)	634,535	(12,779)	(231,863)	(1,829,330)	(295,483)

Summarized financial information as at December 31, 2021 and for the year then ended

	GlassMasters $	Golden[1] $	Ocean $	Foothills $	Fortress $
Current assets	5,661,978	3,166,772	5,631,411	8,814,769	12,908,489
Non-current assets	19,980,080	18,903,665	1,918,226	24,020,959	-
Current liabilities	7,245,082	14,020,772	6,675,427	22,985,020	9,194,752
Non-current liabilities	6,227,228	11,623	1,044,806	3,115,684	-
Net assets	12,169,748	8,038,042	(170,596)	6,735,024	3,713,737
Revenue	24,721,859	8,885,647	13,219,389	42,630,613	1,092,140
Total net income (loss) and comprehensive income (loss)	1,000,975	321,782	974,496	(623,672)	(168,350)

1) Certain amounts from the prior year have been reclassified to conform with the current year's presentation.

c) Reconciliation of investments in associates' carrying value

The following table presents a reconciliation of the carrying amount of each investment in the Corporation's financial statements and the summarized financial information.

Reconciliation of the carrying amount for the year ended December 31, 2022

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Western's ownership interest	55.3%	25.0 – 30.0%	75.0%	49.6%	28.3%	
Investments in associates as at December 31, 2021	7,437,882	4,922,833	-	3,356,718	1,956,214	17,673,647
Share of dividends paid out	-	(138,000)	-	-	-	(138,000)
Disposal of investment	(368,764)	-	-	-	-	(368,764)
Gain on dilution	95,812	-	-	11,172	677,243	784,227
Share of net income (loss)	364,919	(3,065)	-	(917,770)	(57,771)	(613,687)
Investments in associates as at December 31, 2022	7,529,849	4,781,768	-	2,450,120	2,575,686	17,337,423

Reconciliation of the carrying amount for the year ended December 31, 2021

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Western's ownership interest	61.3%	25.0 – 30.0%	75.0%	50.4%	50.0%	
Investments in associates as at December 31, 2020	6,824,284	4,966,764	-	3,671,049	2,040,389	17,502,486
Share of dividends paid out	-	(141,000)	-	-	-	(141,000)
Share of net income (loss)	613,598	97,069	-	(314,331)	(84,175)	312,161
Investments in associates as at December 31, 2021	7,437,882	4,922,833	-	3,356,718	1,956,214	17,673,647

7 Operating loan

On October 13, 2022, the Corporation amended the facility to convert its demand revolving operating loan facility to a committed revolving facility (the "facility"). The facility has a maximum amount of $2,000,000, and has a three-year revolving period with a maturity date of October 6, 2025. The facility bears interest at the bank's prime rate plus 2% per annum and carries a standby fee of 0.5% per annum on the unused portion. Security for the facility includes:

a) a general security agreement over all present and after-acquired property;

b) a share pledge agreement in respect to the Corporation's interest in some of its associates;

c) an assignment of material contracts; and

d) a continuing guarantee from material wholly owned subsidiaries of the Corporation, of which there are currently none.

The Corporation paid fees totalling $16,500 in connection with the amendment of the facility. These fees were capitalized and are being amortized over the three-year term. As at December 31, 2022, $1,215,441 was drawn on the facility (2021 – $1,014,292) and the unamortized financing fees total $15,125 (2021 – nil).

8 Loan from related party

The Corporation holds a $1.2 million shareholder loan from Golden. The loan bears interest at 4.09% annually, payable with monthly interest only and matures annually on January 31 with automatic annual renewal if all amounts of interest owing are not in default. There have been no amounts in default since the inception of the loan and there are no financial covenants affecting the loan. The Corporation has signed a share pledge agreement in respect to its interest in Golden as security for the loan.

9 Convertible debentures

On May 9, 2019, the Corporation issued $4 million of unsecured convertible debentures with a principal value of $1,000 each (the "Debentures"). Each Debenture is convertible into common shares of Western at a conversion price of $0.55 per share at the holder's discretion. The Debentures mature on March 31, 2024 and bear interest at the rate of 7.5% per annum, payable semi-annually at the end of March and September.

If the closing price of Western's shares on the TSX Venture Exchange is $0.65 or greater for 20 consecutive trading days, Western may, at its option, force the conversion of the Debentures into common shares. Western may also elect, at its option, to redeem all or part of the Debentures at the redemption price set forth below plus accrued and unpaid interest, if redeemed during the calendar year on 45 days' written notice by Western:

	%
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 against the carrying value of the liability and equity components of the Debentures.

The Debentures are a compound financial instrument containing both a liability and equity component. The liability component represents the present value of interest and principal payments over the life of the financial instrument discounted at 13.9%, which was the approximate rate available to the Corporation for similar debt without the conversion feature at the date the Debentures were issued. The residual value of $793,815 (net of issuance costs) was allocated to the equity component. The liability component is accreted to the principal value using the effective rate of 16.5%.

10 Share capital

Authorized

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

Issued

During the year ended December 31, 2022, no common shares were issued (2021 – nil). There are no preferred shares issued to date. The following is a summary of the common shares issued at year-end.

	Number of shares	Amount $
Balance – December 31, 2020	30,460,756	15,777,991
Share repurchase	(122,000)	(63,193)
Balance – December 31, 2021	30,338,756	15,714,798
Share repurchase	(51,000)	(26,417)
Balance – December 31, 2022	30,287,756	15,688,381

Stock option plan

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the stock option plan shall not exceed 10% of the issued and outstanding common shares exercisable for a period of up to ten years.

220,000 stock options have been issued during the year ended December 31, 2022 (2021 – 360,000). All options vest immediately and are expensed at the time of grant.

All options are settled through Western's common shares. In 2022, the Corporation recorded $51,964 of share-based compensation expense (2021 - $64,440) calculated using the Black-Scholes option pricing model with the following assumptions:

	2022	2021
Risk-free interest rate	3.35%	1.52%
Spot price	$0.34	$0.27
Exercise price	$0.34	$0.27
Dividend yield	nil	nil
Time to maturity	10 years	10 years
Volatility	57%	57%

The following stock options were outstanding as at December 31, 2022:

Grant date	Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2016	February 24, 2026	0.50	790,000	3.15	0.5981
April 6, 2016	April 6, 2026	0.56	140,000	3.27	0.4554
April 21, 2017	April 21, 2027	0.65	30,000	4.31	0.3914
June 19, 2017	June 19, 2027	0.65	150,000	4.47	0.3279
July 4, 2018	July 4, 2028	0.50	320,000	5.51	0.2316
August 23, 2019	August 23, 2029	0.40	294,000	6.62	0.2539
June 1, 2020	June 1, 2030	0.27	360,000	7.42	0.1743
May 3, 2021	May 3, 2031	0.27	360,000	8.34	0.1790
June 29, 2022	June 29, 2032	0.34	220,000	9.50	0.2362

A total of 2,664,000 options are outstanding and exercisable at December 31, 2022 (2021 – 2,444,000) with a weighted average exercise price of $0.43 (2021 - $0.43).

Share repurchases

The Corporation has regulatory approval for a normal course issuer bid (the "Bid") whereby Western may purchase up to a total of 1,500,000 common shares in the capital of the Corporation representing approximately 5.0% of the 30,287,756 common shares currently issued and outstanding. The Bid is for a one-year term and is renewed annually. All acquisitions of common shares by the Corporation pursuant to the Bid will be made through the facilities of the TSX Venture Exchange at the market price of the common shares at the time of the acquisition. On January 12, 2023, the Board of Directors approved the renewal of the Bid for another year. Each renewal is subject to regulatory approval before it can proceed. Approval was received for the 2023 Bid on February 6, 2023.

For the year ended December 31, 2022, 51,000 common shares were repurchased at a total price of $19,045 (2021 - 113,000 common shares were repurchased at a total price of $36,199). All shares repurchased are cancelled by the Corporation at the end of the month in which they are repurchased with a reduction to share capital at their average issued price, which totalled $26,417 for the year ended December 31, 2022 (2021 – $58,531). The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

Subsequent to year-end, and up to the date of approval of these financial statements, the Corporation has repurchased 25,000 shares at a total price of $8,875 in accordance with its normal course issuer bid.

11 Income taxes

a) Income tax expense

	2022 $	2021 $
Loss before income taxes	(215,376)	(707,244)
Income tax rate	23.0%	23.0%
Income tax recovery at statutory rate	(49,536)	(162,666)
Non-deductible and other items	(29,630)	14,920
Unrecognized temporary differences	56,166	147,746
Prior year and tax rate adjustments	23,000	-
Income tax expense	**-**	**-**

b) Deferred income taxes

As at December 31, the Corporation's net deferred income tax labilities comprise of the following:

	Opening balance	Recognized in earnings (loss)	Closing balance
Convertible debentures	(139,202)	66,332	(72,870)
Non-capital losses	139,202	(66,332)	72,870
Net deferred income tax liability	**-**	**-**	**-**

The following deductible temporary differences have not been recognized:

	2022 $	2021 $
Share issuance costs	74,236	148,921
Investments in associates	750,563	659,854
Non-capital losses	5,317,820	5,089,639
	6,142,619	5,898,414

As at December 31, 2022 the Corporation had $5,634,646 (2021 – $5,669,648) non-capital losses available to reduce taxable income in future years. The losses expire from 2035.

12 Capital management

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

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

The Corporation's objectives when managing capital are:

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

The Corporation is not subject to any externally or internally imposed capital requirements as at December 31, 2022 and 2021.

13 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, accounts receivable, due from related parties, operating loan, accounts payable and accrued liabilities, loan from related party and convertible debentures. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments, except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The

Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, accounts receivable, certain current amounts due from related parties, operating loan and accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these items. Included in current amounts due from related parties is the Ocean Sales shareholder loan which is measured at fair value through profit and loss, based on level 2 inputs (note 18).

Long-term amounts due from related parties include the GlassMasters shareholder loan (note 18) which is measured at amortized cost and the carrying value approximates its fair value. Also included in long-term amounts due from related parties is the Foothills shareholder loan which is measured at fair value through profit and loss, based on level 2 inputs (note 18).

The fair value of the note receivable from GlassMasters (note 6) approximates is carrying value, which is measured at amortized cost.

The convertible debentures are measured at amortized cost. The carrying value approximates the fair value due to the short time frame to maturity.

The loan from related party is measured at amortized cost, which approximates fair value.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's exposure to credit risk is primarily related to cash held with financial institutions and the carrying value of its amounts due from related parties. The Corporation helps manage this risk by working with each associate to manage their liquidity through financing and budgets, and the Corporation continuously evaluates the financial condition of its related parties in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in income or loss.

The Corporation’s maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of the Corporation’s statements of financial position.

	2022 **$**	**2021** **$**
Cash	25,715	23,318
Accounts receivable	371	-
GlassMasters’ Note receivable (note 6)	4,658,559	-
Due from related parties (note 18)	1,244,274	787,655
	5,928,919	810,973

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. Policies and practices used include the preparation of budgets and forecasts that are regularly monitored and updated as considered necessary. Cash requirements are monitored on a monthly basis and short-term liquidity risks have been mitigated through the use of a committed operating loan facility (note 7).

Western has issued $4 million of unsecured convertible debentures that mature on March 31, 2024. As noted in note 4, a liquidity risk does exist in relation to the Corporation’s ability to meet this obligation, with the issuance of new debentures, or the disposal of an investment.

The Corporation’s accounts payable are due within 12 months and are subject to normal trade terms. The table below summarizes the future undiscounted contractual cash flow requirements as at December 31, 2022 and December 31, 2021 for the Corporation’s financial liabilities. The actual outflow of cash could differ significantly from this.

	As at December 31, 2022						
	Carrying amount $	Contractual cash flow $	2023 $	2024 $	2025 $	2026 $	2027 and beyond $
Accounts payable and accrued liabilities	154,512	154,512	154,512	-	-	-	-
Operating loan (note 7)	1,215,441	1,499,356	102,705	102,705	1,293,946	-	-
Loan from related party (note 8)	1,200,000	1,445,400	49,080	49,080	49,080	49,080	1,249,080[1]
Convertible debentures (note 9)	3,683,173	4,450,000	300,000	4,150,000	-	-	-
	6,253,126	7,549,268	606,297	4,301,785	1,343,026	49,080	1,249,080

	As at December 31, 2021						
	Carrying amount $	Contractual cash flow $	2022 $	2023 $	2024 $	2025 $	2026 and beyond $
Accounts payable and accrued liabilities	144,742	144,742	144,742	-	-	-	-
Operating loan (note 7)	1,014,292	1,054,361	1,054,361	-	-	-	-
Loan from related party (note 8)	1,200,000	1,445,400	49,080	49,080	49,080	49,080	1,249,080[1]
Convertible debentures (note 9)	3,419,991	4,750,000	300,000	300,000	4,150,000	-	-
	5,779,025	7,394,503	1,548,183	349,080	4,199,080	49,080	1,249,080

1) As disclosed in note 8, the loan from related party will automatically renew at each maturity date and the timing of the repayment of the principal portion is not readily determinable.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has access to an operating loan with a variable interest rate. Based on outstanding amounts under the credit facility as at December 31, 2022, a 1% movement in the prime rate would increase or decrease the interest expense by approximately $12,154 (2021 – $10,143).

The Debentures and loan from related party both bear interest at a fixed interest rate.

b) Foreign currency risk

The Corporation does not have assets or liabilities denominated in a foreign currency. The Corporation is exposed to currency risk through its associates, some of which purchase inventories from foreign suppliers, and carry financial assets and liabilities denominated in foreign currencies. As such, their income may be affected by fluctuations in foreign exchange rates and the degree of volatility of those rates.

14 Dividends paid

The Corporation paid dividends of $0.005 per share on July 29, 2022 to shareholders of record on July 15, 2022. The total amount of dividends paid was $151,514 (2021 – $nil).

15 Earnings (loss) per common share

Earnings (loss) per common share is calculated as follows:

	2022	2021
Net income (loss) for the year	$ (215,376)	$ (707,244)
Basic weighted average number of common shares outstanding	30,298,633	30,398,326
Effect of dilutive securities	219,732	96,257
Diluted weighted average number of common shares outstanding	30,518,365	30,494,583
Basic (loss) earnings per common share	$ (0.007)	$ (0.023)
Diluted (loss) earnings per common share	$ (0.007)	$ (0.023)

As at December 31, 2022, there was 2,664,000 share options outstanding (2021 – 2,444,000). Of these options, 1,724,000 were anti-dilutive (2021 – 2,149,454).

16 Gain on disposal and dilution

The gain on disposal is made up of the following transactions. Further details on the transactions can be found in note 6.

	2022 $	2021 $
Disposition of GlassMasters shares	166,411	-
Dilution of GlassMasters	95,812	-
Dilution of Fortress	677,243	-
Dilution of Foothills	11,172	-
Total gain on disposal and dilution	**950,638**	**-**

17 Supplemental cash flow information

The changes in working capital items are as follows:

	2022 $	2021 $
Accounts receivable	(371)	-
Due from related parties	(360,335)	23,715
Prepaid expenses	(1,843)	308
Accounts payable and accrued liabilities	9,770	(1,251)
	(352,779)	**22,772**

18 Due from related parties

As at December 31, the following amounts are due from associates:

	2022 $	2021 $
Current amounts due from related parties		
GlassMasters' management fees or expense reimbursements	19,688	504
GlassMasters' interest due on note receivable	187,701	-
Foothills' management fees or expense reimbursements	588	19,688
Fortress' expense reimbursements	9,609	-
Golden expense reimbursements	-	1,794
Ocean Sales' shareholder loan or expense reimbursements	164,972	237
	382,558	22,223
Long-term amounts due from related parties		
GlassMasters' shareholder loan	565,990	549,227
Foothills' shareholder loan	295,726	-
Ocean Sales' shareholder loan	-	216,205
Total due from related parties	**1,244,274**	**787,655**

Shareholder loans to GlassMasters from the Corporation are subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. The loan is composed of cash advances, unpaid management fees and interest. The loan terms are such that it matures annually with automatic renewal if all interest has been paid. There is outstanding unpaid interest on the loan; however, the Board of Directors has indicated that automatic renewal shall continue to occur.

The interest on the note receivable from GlassMasters, as disclosed in note 6, was collected subsequent to year-end.

On October 27, 2022, the Corporation advanced $250,000 to Foothills in the form of a shareholder loan bearing interest at 13% per annum. Unpaid interest and management fees 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. The Foothills loan considered not to represent solely payments of principal and interest and accordingly is classified as fair value through profit or loss. As at December 31, 2022, fair value has been determined to equal the $250,000 principal amount of the loan, plus accrued interest of $6,351, and unpaid management fees of $39,375. The fair value is based on level 2 inputs. The amount owing from Foothills as December 31, 2021 relates to management fees that were paid subsequent to year-end.

Western has from time to time purchased inventory from Ocean as a form of financial assistance. The inventory consists of consumer home type products. The inventory is owned by Western until needed by Ocean to satisfy inventory orders from their customers. The loan is considered not to represent solely payments of principal and interest and accordingly is classified at fair value through profit and loss. Fair value is determined based on level 2 inputs and considered to be equal to the cost of the inventory purchased. Western charges a mark-up ranging from 5% to 10% when the inventory is sold to Ocean which is recorded as finance income on the statement of loss and comprehensive loss. The expectation of receiving these amounts is factored into its fair value model. Western collected payment of the balance subsequent to year-end. There are no other terms in place between Ocean and the Corporation related to this inventory.

19 Related party transactions

Western's related parties consist of directors, officers, and its associates. The following is as summary of the Corporation's transactions with associates.

For the year ended December 31, 2022:

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Management fees	75,000	45,000	-	75,000	89,271	284,271
Finance income	585,559	-	9,772	6,351	-	601,682
Dividends (note 6)	-	138,000	-	-	-	138,000
Interest expense (note 8)	-	49,080	-	-	-	49,080

For the year ended December 31, 2021:

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Management fees	75,000	45,000	-	75,000	75,000	270,000
Finance income	61,816	-	4,229	-	-	66,045
Dividends (note 6)	-	141,000	-	-	-	141,000
Interest expense (note 8)	-	49,080	-	-	-	49,080

In accordance with the terms of a shareholder's agreement, Western earns an annual management fee, to provide strategic, governance and other advisory services, from certain of its associates, payable on a quarterly basis. As at December 31, 2022, $29,296 in management fees are due from associates (2021 - $19,687).

Finance income relates to interest earned on loans to related parties and mark-up on inventory sold to Ocean, as described in note 6. As at December 31, 2022, $337,411 in interest was due from associates (2021 - $125,596).

During the year ended December 31, 2022, $378,154 in salaries and benefits was paid or payable to members of management (2021 – $383,157).

20 Subsequent events

On March 24, 2023 GlassMasters amended the promissory note to shareholders, replacing the note issued on April 1, 2022 (as discussed in note 6). The terms of the $4,658,559 new promissory note (which comprises part of the investment in GlassMasters) include a 5-year term, with automatic renewal for a period of 5 years upon each maturity date, unless the directors of GlassMasters otherwise determine. The interest rate will be set by the Board of Directors of GlassMasters from time to time. At the GlassMasters' annual board meeting on March 24, 2023, the Board of Directors set the interest rate at 10% for the fiscal year 2023.

Subsequent to year-end, and up to the date of approval of these financial statements, the Corporation has repurchased 25,000 shares at a total price of $8,875 in accordance with its normal course issuer bid.