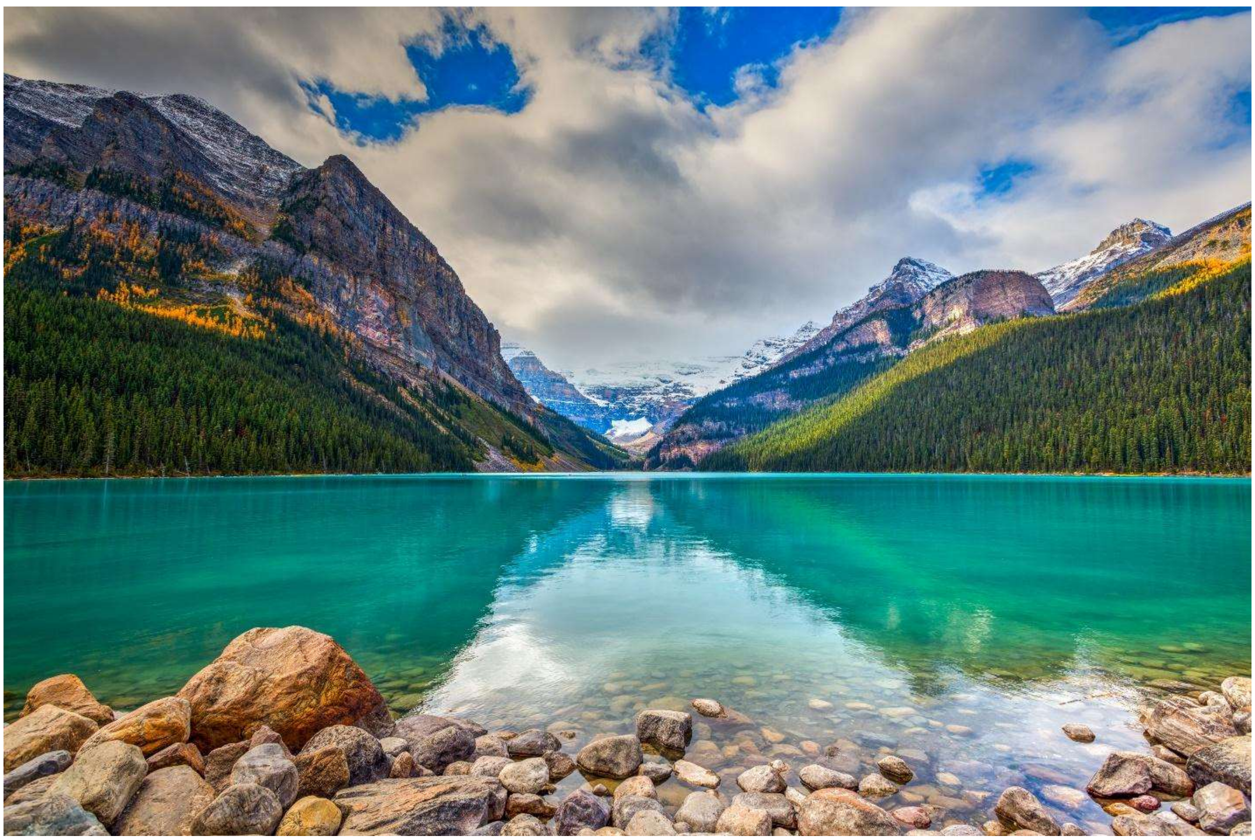
THE WESTERN INVESTMENT COMPANY OF CANADA LIMITED



Management's Discussion and Analysis

For the year ended December 31, 2022

Dated: May 19, 2023

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 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, for the year ended December 31, 2022. The MD&A was prepared by management of Western and was approved by the Board of Directors on May 19, 2023. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR at www.sedar.com.

The following table outlines the acquisitions we have completed as of May 19, 2023;

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%

2022 Key Highlights

2022 was a year of both challenges and great successes. Equity income came in below forecasts, 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. We are fortunate to have other revenue to offset the equity loss. Interest income is now providing cash flow, and Western recognized gains on disposition and dilution. We are excited to 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 their budget for 2022. Sales exceeded the prior year by 20%. Sales, gross profit, and normalized net income had a record performance exceeding every year 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 and hampered 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 a 231% growth in gross premiums from 2021. Fortress received approval for its license in Ontario in April 2022, effectively doubling its market size. In October 2022, the company closed a $5.2 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 may be recovered as the market recovers. The loss ratio of 41% is a testament to its lean cost structure and focused execution.

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. 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 them recover from the restrictions that shut down much of their business, 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. Inflation has had some impact on the cost of care, and attracting staff has been a challenge.

Overall, 2022 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.

Looking into 2023 we are seeing supply chains stabilize, and optimistic results to date in the first quarter. With the convertible debentures coming due in early 2024, management is actively planning for a renewal or roll-over in order to continue on as a going concern.

Review of Western's Operations and Financial Results

The financial highlights of the Corporation are:

	Three months ended December 31,		Year ended December 31,	
Financial results ($	**2022**	**2021**	**2022**	**2021**
Revenue	620,702	(223,541)	1,222,904	648,206
Professional fees	53,608	38,900	263,761	237,604
Regulatory fees	2,874	3,360	44,244	43,011
Management salaries	94,557	93,975	378,154	383,157
Share based compensation	-	-	51,964	64,440
Interest	178,844	159,340	667,113	606,461
Other expenses	9,600	4,320	33,044	20,777
Total expenses	339,483	299,895	1,438,280	1,355,450
Net income (loss)	**281,219**	**(523,436)**	**(215,376)**	**(707,244)**
Net income (loss) per share	0.009	(0.017)	(0.007)	(0.023)

	December 31, 2022	December 31, 2021
Financial position ($)		
Working capital	261,774	(1,107,695)
Total assets	18,615,425	18,490,419
Operating loan	1,200,316	1,014,292
Loans and convertible debentures	4,883,174	4,619,991
Shareholders' equity	12,377,424	12,711,394

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

Western had a $950,638 gain on disposal in 2022 thanks to the sale of 5% of our interest in GlassMasters, and additional gains recognized on ownership dilutions. Restructuring undertaken at GlassMasters has provided regular interest income. This revenue combined with management fees has countered the equity loss incurred in in 2022.

Expenses continue to be relatively stable, with a slight increase in year-to-date professional fees related to legal fees on the GlassMasters share disposition. Interest expense has increased over time with rising interest rates. Inflation has also had some affect over general and administrative expenses and audit fees.

In the coming year, we are optimistic we will see our equity income improve as the economy stabilizes. We expect to see steady growth in the insurance business and expansion at GlassMasters. Our key focus is 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, 2022. 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, 2022, to account for the inherent market value of our investments, the value per share is $0.67 (2021 - $0.82). This is approximately double the current market price of our shares, demonstrating the true value our shareholders hold. The decline in market value from the prior year is consistent with many other private equity companies due to the difficult economic conditions currently being faced by business.

Below is a comparison of the carrying value of our associates as at December 31, 2022, with the estimated market value:

$	Original purchase price	Carrying Value	Estimated Market Value	Unrealized Gain
Golden Health Care	4,738,192	4,781,768	6,750,000	1,968,232
Fortress Insurance Company	1,690,000	2,575,686	5,170,000	2,594,314
Ocean Sales Group Ltd.	3,450,000	-	175,000	175,000
Foothills Creamery Ltd.	3,251,000	2,450,120	3,100,000	649,880
GlassMasters ARG Autoglass Two Inc.	4,010,000	7,529,849	10,170,000	2,640,151
Total value of investment in associates	**17,139,192**	**17,337,423**	**25,365,000**	**8,027,577**

Using the estimated market value of our associates as outlined above, the net asset value of Western as at December 31, 2022, is:

$		Estimated Market Value
Current assets		416,286
Due from related parties		861,716
Investment in associates		25,365,000
Current liabilities		(154,512)
Operating loan		(1,200,316)
Loan from related party		(1,200,000)
Convertible debentures		(3,683,173)
Net asset value		20,405,001
Common shares outstanding		30,287,756
Value per share	**$**	**0.67**

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 2023 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 continues to represented a market rate.

Fortress was valued based on the recent arms-length transaction that closed in October 2022, in which Fortress raised over $5 million in outside capital. The transaction used a multiple of 2.15 times the tangible net asset value.

Ocean was valued using 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, 2023, to 2026. Forecasted EBITDA was tax effected based on the expected federal and Alberta corporate tax rate of 23%. The WACC used in the calculation was 13-15%. 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 deferred taxes and related party amounts), net of taxes and selling costs, and subtracted the Company's net debt.

Like Ocean, Western used the discounted cash flow method based on the Company's forecasts to value Foothills. The WACC used in the calculation was 15-18%. 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 year ended December 31, 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 year ended December 31, 2022, Western recognized an equity loss of $57,771 from Fortress (2021 - $84,175 loss). Western also recognized $89,271 in management fees from Fortress (2021 - $nil).

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

	Three months ended December 31,		Year ended December 31,	
Financial results ($)	**2022**	**2021**	**2022**	**2021**
Gross premiums written	6,266,458	1,656,669	17,719,454	5,351,219
Total underwriting income	1,204,019	300,370	3,431,255	1,092,140
Net underwriting profit (loss)	(93,460)	31,947	295,583	(464,822)
Investment income (loss)	106,989	75,399	(704,481)	219,404
Net income (loss)	15,221	80,540	(295,483)	(168,350)

Fortress continues on its trajectory of rapid growth, with increases in gross premiums written each year, including a 231% increase from 2021. In 2022, Fortress added another property insurance program, signed on two new reinsurers, and added one new fronting program. Fortress also obtained a license in Ontario, doubling its current market size.

The company's underwriting business is now profitable. Total underwriting income has more than tripled from the prior year. Fortress is expecting to see continued growth in premiums written throughout the coming years. 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. During 2022 the bond market had its worst performance in decades, and with 92% of Fortress's holdings in short and medium-term fixed income securities and cash, this translated into significant unrealized losses with holdings reported at market value. As markets recover, Fortress may also show a recovery in this area.

Gross premiums written include all premiums written during the year, 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 2022 loss ratio as at December 31, 2022 (incurred losses over earned premium) is 41% (2021 – 36%), an impressive result and testament to their lean cost structure and focused execution. 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.

On October 19, 2022, Fortress closed a $5.2 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 recognized a $677,243 gain on dilution from this transaction in the fourth quarter.

Western has 28% ownership of Fortress and appoints two of eight directors to the board. This gives Western significant influence over the investment. As such, the Corporation is accounting for this investment under the equity method.

Foothills Creamery Ltd.

Western holds a 50% interest in Foothills Creamery Ltd. ("**Foothills**"), 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 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.

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.

During the fourth quarter, 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 diluted Western's investment in Foothills from 50.4% to 49.6%. A gain on dilution was recognized on this transaction of $11,172.

In the year ended December 31, 2022, Western recorded an equity loss of $917,770 from Foothills (2021 – equity loss of $314,330). Western earns annual management fees of $75,000 from Foothills.

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

	Three months ended December 31,		Year ended December 31,	
Financial results ($)	**2022**	**2021**	**2022**	**2021**
Revenue	7,466,345	8,488,374	35,226,186	42,630,613
Gross profit	462,488	438,605	4,596,590	5,283,452
Net (loss) income	(1,055,467)	(806,565)	(1,829,330)	(623,672)
Interest	246,038	173,239	809,547	641,911
Amortization and depreciation	306,653	318,460	1,195,788	1,230,799
Tax	(289,582)	(35,54)	(563,225)	(37,104)
EBITDA	(792,358)	(350,412)	(387,220)	1,211,934

2022 was a very challenging year for Foothills with results well below expectations. While the reduction in revenue was planned, the company was relying on a bump in gross margin to meet their forecasts. While the intention was to decrease the sales volume of low margin butter and focus on higher margin products, due to rising input costs, this shift in product mix did not achieve the desired margins. 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 has had a $1.1 million impact on profits. Foothills found itself squeezed in the middle, being unable to pass the cost increases on to the customer. These factors prevented the shift to higher margin products from achieving targets and have resulted in shortfall in budgeted EBITDA of over $2.5 million.

Management is actively addressing the issues faced and is committed to making the business profitable. In the fourth quarter, the CEO of Foothills invested personally in the company, a strong sign of his commitment and confidence in the future. 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 was undertaken in the fourth quarter, aimed 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 has breached its banking covenants, and as such, no payments will be made to shareholders, including management fees, for the near future. Shareholders, including Western, have advanced funds to the company (as noted above) 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 2023.

Looking forward into 2023, the debt refinancing will decrease debt service requirements. Foothills sold its storage facility in Kelowna subsequent to year-end, providing it with capital to complete upgrades to the processing plant. At this time, sales for the first quarter are exceeding expectations. Forecasts predict the company will be back onside its debt covenants by mid year. Employees and management are showing their commitment to bringing the company back to profitability.

Western has 50% ownership of Foothills however appoints 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.

Western's equity investment in Ocean Sales is below zero and as such no equity income loss has been recognized in 2022 or 2021. Western does not recognize management fees earned for Ocean Sales. As at December 31, 2022 the unrecognized balance of our investment in Ocean Sales was ($196,608).

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

	Three months ended December 31,		Year ended December 31,	
Financial results ($)	**2022**	**2021**	**2022**	**2021**
Revenue	3,016,398	3,194,017	18,762,749	13,219,389
Gross profit	1,036,489	1,523,718	10,081,788	7,760,699
Net income	(807,143)	97,063	(386,015)	969,613
Interest	114,535	78,075	413,847	347,304
Amortization and depreciation	68,438	166,378	392,497	405,785
Tax	(127,051)	37,323	(61,276)	220,726
EBITDA	(751,221)	378,839	359,053	1,943,428

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 2022 are up 42%, and gross profit up 30% over the prior year. Gross profit was slightly lower than anticipated due to inflation, fluctuations in exchange rates, and increased costs of freight. In addition, the company wrote-off of all slow-moving inventory at the end of the year. Other expenses were up considerably this year that brought down EBITDA. Due to the shift from on-line sales during the pandemic to presentation-based sales, commissions and show expenses have increased considerably. The company has expanded its workforce, and payroll expense has outpaced the growth in gross profit. Interest, travel, and advertising all saw big jumps in 2022. As a result of the increase in these expenses EBITDA and net income are lower than the prior year. If we remove the government assistance that the company received in 2021, results are only slightly below 2021. No government assistance was received in 2022.

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. The company must increase the number of products offered at Costco, if they are to make this sales channel profitable. The key to a successful 2023 will be on refreshing their product offerings. At the current time Ocean has several new products in development that should be ready to launch in the summer.

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 year ended December 31, 2022, Western recognized an equity loss from Golden of $3,065 (2021 - $97,069 income). During the Year, Western received $45,000 in directors' fees (2021 - $45,000) and $138,000 in dividends (2021 - $141,000) from Golden.

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

	Three months ended December 31,		Year ended December 31,	
Financial results ($)	**2022**	**2021**	**2022**	**2021**
Revenue	2,175,667	2,236,984	8,692,073	8,885,647
Net income	(219,289)	(136,704)	(12,779)	321,782
Interest	109,089	134,068	442,167	556,479
Amortization and depreciation	142,769	148,638	588,176	605,189
Tax	77,477	87,621	288,524	250,034
EBITDA	110,046	233,623	1,306,088	1,733,484

The results for 2022 at Golden have been affected by the current inflationary environment. The generally stable performance has been hit by rising operating costs, particularly in the cost of labour. The pandemic has made it increasingly hard to retain and attract qualified staff to long term care, leading to increased wages. Care homes have a difficult time passing increased costs onto residents who are already stretched on their ability to afford it.

Revenue has fallen short from the prior year due to dropping occupancy at William Albert House. Occupancy at our other homes has remained stable, with improvements being seeing at Hill View Manor. 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 receive any government subsidization, which is an area we are working to change. We are working to convince the government that residents should benefit from having their medical costs funded regardless of the type of care home they choose to live in.

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 55% 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 $166,411.

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.

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 recognized a gain on dilution in relation to this transaction of $95,812.

GlassMasters contributed equity income of $364,919 and interest income of $585,559 to Western's results in the year ended December 31, 2022 (2021 - $613,598 equity income and $61,816 interest income). Western earns $75,000 annually in management fee revenue.

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

	Three months ended December 31,		Year ended December 31,	
Financial results ($)	**2022**	**2021**	**2022**	**2021**
Revenue	6,378,661	5,920,219	29,098,831	24,721,859
Gross profit	1,866,392	1,581,700	8,589,356	7,249,928
Net income	49,413	11,525	634,535	1,009,975
Note payable interest paid to shareholders	339,319	-	905,653	-
Adjusted Net income[1]	388,732	11,525	1,540,188	1,009,975
Net income	49,413	11,525	634,535	1,009,975
Interest	486,050	127,080	1,449,692	532,981
Amortization and depreciation	389,925	402,288	1,587,334	1,569,349
Tax	(22,473)	(36,385)	152,304	259,178
EBITDA	902,915	504,508	3,823,865	3,371,483

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

GlassMasters has had a record-breaking year with revenue, EBITDA, and adjusted net income exceeding every comparative year since acquisition. For the year ended December 31, 2022, revenue was up 19%, and gross profit was up 18% from 2021. Normalized net income, which removes shareholder interest, exceeds the prior year by 54%. 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. We credit the strong management team at GlassMasters for successfully maintaining their margins and the growth in sales in this economic environment.

Looking forward into 2023 global supply chain issues have stabilized and inventory procurement has improved. Management continues to expand and diversify its available suppliers, working with them to keep costs down. GlassMasters continues to look for opportunities to expand, and two new locations are currently expected in 2023. 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	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	Jun 30, 2021	Mar 31, 2021
Income/(loss)	620.7	588.7	263.4	(249.9)	(223.6)	455.4	909.5	(417.3)
Operating expenses	339.5	332.9	400.5	365.4	299.9	334.2	412.7	308.7
Net income (loss)	281.2	255.8	(137.1)	(615.3)	(523.5)	121.2	496.8	(726.0)
Earnings (loss) per share								
- Basic and diluted	0.009	0.008	(0.005)	(0.020)	(0.017)	0.004	0.016	(0.024)
Total assets	18,615.4	18,064.0	17,543.1	17,585.3	18,490.0	18,967.6	18,602.0	17,883.8
Total long-term liabilities	6,083.5	4,737.1	4,746.4	4,605.7	4,620.0	4,484.3	4,503.3	4,372.2

Quarterly Trends and Seasonality

Certain associates of the Corporation experience seasonal fluctuations in activity and financial performance. The spring and summer months are the busiest for our seasonal associates as can be clearly seen in the table above. The summer quarter of 2022 was one that did exceed the prior year thanks to booming sales at GlassMasters and a hot summer to support high margin ice cream sales at Foothills. Ocean Sales is also busiest in these two quarters with home shows in the spring and summer fairs.

The first quarter of the year was a particularly weak one at most of our associates. For some it was the usual seasonal slow quarter. Fortress was hit by unrealized investment losses as the bond market hit record lows. 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 with some increases expected with inflation and rising interest rates.

Liquidity and Capital Resources

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

$	Year ended December 31, 2022	Year ended December 31, 2021
Cash used in by operating activities	(588,584)	(707,648)
Cash provided by investing activities	576,891	163,768
Cash provided by financing activities	14,090	201,301
Increase (decrease) in cash	2,397	(342,579)
Cash, beginning of Year	23,318	365,897
Cash, end of Year	**25,715**	**23,318**

The net cash used in operating activities for the year ended December 31, 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 year ended December 31, 2022, relates to the proceeds received on the sale of GlassMasters shares and dividends from Golden. Cash provided in investment activities for the comparative year 2021 is related to dividends received less advances made to associates.

Cash provided by financing activities for the year ended December 31, 2022, and 2021 relates primarily to advances 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:

$	December 31, 2022	December 31, 2021
Demand revolving operating loan facility	1,200,316	1,014,292
Loan from related party	1,200,000	1,200,000
Convertible debentures	3,683,173	3,419,991
Less: cash	(25,715)	(23,318)
Net loans	6,057,774	5,610,965
Shareholders' equity	12,377,424	12,711,394

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 March 31, 2024. See note 9 to the December 31, 2022 financial statements for further information on the debentures. It is Western's plan to re-issue the debentures on or before the date they come due in 2024. Western in currently working with current debenture holders and determining the details for the new issuance.

The Corporation also has a revolving operating loan facility available to the maximum amount of $2,000,000. 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 (previously a demand loan). 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. Security includes a share pledge agreement with respect to the Corporation's interest in some of its associates.

The Corporation generates operating cash from finance income, management fees, and dividends from its portfolio investments. The company's' income does not cover working capital requirements. Additional capital has been obtained by financing arrangements, and by the disposal of a portion of an investment. 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. Through the use of forecasts management believes it has sufficient room on its operating facilities to meet all obligations over the next 12 months and beyond. We work closely with our associates to monitor their performance and forecasts. Should Western find itself at risk of not being able to meet its obligations, management believes a market would be available to liquidate an investment in associate. The Corporation's ability to continue as a going concern through 2024 depends on its ability to renew the current debentures, or to replace this capital with the disposal of an investment.

Outstanding Share Data

No shares were issued in the years ended December 31, 2022, and 2021. During the year ended December 31, 2022, 51,000 shares were repurchased by the Corporation in conjunction with its normal course issuer bid at a cost of $19,044 (December 31, 2021 – 113,000 shares repurchased at a cost of $36,199). This brings the total common shares outstanding at December 31, 2022, to 30,287,756 (December 31, 2021 – 30,338,756). 25,000 additional shares have been repurchased subsequent to December 31, 2022, and up to the date of this MD&A. Currently, the total common shares outstanding is 30,262,756. 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 year ended December 31, 2022, 220,000 stock options were issued (December 31, 2021 – 360,000). On December 31, 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 December 31, 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 year ended December 31, 2022, to be read in conjunction with this MD&A. Related party transactions are in the normal course of operations and are recorded at the exchange amount.

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 following is a brief discussion of the factors which may have a material impact on our future business or financial performance.

Public Health Crises

The Corporation's financial and operating performance, and that of its associates, could be materially adversely affected by the outbreak of public health crises, epidemics, pandemics, or outbreaks of new infectious diseases or viruses, such as the recent global outbreak of a novel coronavirus COVID-19. Such public health crises can result in volatility and disruption to global supply chains, trade and market sentiment, mobility of people, and global financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, and results of operations, and other factors relevant to Western. The risks to Western of such public health crises, including the ongoing pandemic, also include risks to employee health and safety, a slowdown or temporary suspension of operations in locations impacted by an outbreak, and could negatively impact Western's business, financial condition, and results of operations.

Cyber-attacks or other breaches of information technology

Cyber-attacks or other breaches of network or IT systems security may cause disruptions to our operations or those of our associates. A major security breach could result in the loss of critical data, theft of intellectual property, disclosure of confidential information, customer claims and litigation, reduced revenues due to business interruption, costs associated with remediation of infrastructure and systems, class action, and derivative action lawsuits and damage to our reputation. Furthermore, the prevalence and sophistication of these types of threats are increasing and our security measures may not be sufficient to prevent the damage that such threats can inflict on our assets and information. Our insurance may not be adequate to fully reimburse us for these costs and losses.

Investment in associates

The Corporation's investments in associates are operated by independent management teams. The business success of these investments is to some extent dependent on the expertise and ability of the investment's management team to successfully operate the underlying businesses. While we rely on the judgment and operating expertise of the management of the investments, we mitigate this risk by exercising prudent management oversight through our Board representation and relying on an operator that has a proven track record of operating the business.

Short operating history

We have only a short record of operating as an investment issuer and as such, we are subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that we will not achieve our financial objectives as estimated by management. Furthermore, past successes of management or the board do not guarantee future success.

Legal proceedings

Western and its associates may, from time to time, be subject to legal proceedings (including claims and litigation) and any losses flowing therefrom may not be covered by liability insurance. Such proceedings could result in significant losses and have a material adverse effect on Western's business, financial condition, results of operations, or cash flows.

Available opportunities and competition for investments

Our business plan depends upon, among other things: (i) the availability of appropriate investment opportunities: (ii) our ability to identify, select and acquire successful investments; and (iii) our ability to generate or obtain funds for future investments. We expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as us, will likely have a longer operating history, maybe better capitalized, have more personnel, and have different return objectives. As a result, we may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit our ability to secure investments on acceptable terms or to generate desired returns.

There can be no assurance that we will have access to a sufficient number of suitable investment opportunities or that such investments can be made within a reasonable period of time. There can also be no assurance that we will be able to complete investments at acceptable prices or terms. Identifying attractive opportunities is difficult, highly competitive, and involves a high degree of uncertainty. Potential returns will be diminished to the extent that we are unable to find and make a sufficient number of investments.

Concentration of investments

Other than as described herein, there are no restrictions or limits on the amount or proportion of our funds that may be allocated to any particular investment. We may participate in a limited number of investments and, as a consequence, our financial results may be substantially adversely affected by the unfavorable performance of a single investment. Completion of one or more investments may result in a highly-concentrated investment in a particular company, geographic area, or industry resulting in the performance of Western depending significantly on the performance of such company, geographic area, or industry. Currently, Western has five equity investments across four industry verticals and is planning to further diversify as we grow to reduce this risk.

Cash flow from associates

Western is entirely dependent on the operations of its associates to generate income and support its ability to make interest payments on the convertible debentures, other loans outstanding, and to pay corporate operating expenses. Western's ability to generate income is affected by the profitability, fluctuations in working capital, margin sustainability, and capital expenditures of its associates. Although Western's associates intend to distribute some amount of their cash available for distribution if any, there can be no assurance regarding the amounts of income and cash flow to be generated by them and the amounts to be paid to Western. The failure of any associate to make anticipated distributions could adversely impact Western's financial condition and cash flows and, consequently, payments to holders of convertible debentures, as well as the ability to declare and pay dividends in respect of the Common Shares.

Ability to secure adequate financing

We will have ongoing requirements for capital to support our growth and operations and may seek to obtain additional funds for these purposes through public and private equity or through the incurrence of indebtedness. There are no assurances that we will be able to secure additional funding at all, on acceptable terms or at an acceptable level. Western is exposed to the risk that it may not be able to meet its financial obligations when they come due. Our liquidity and operating results, and our ability to make additional investments, may be adversely affected if our access to capital markets or other sources of financing is hindered, whether as a result of a downturn in market conditions generally or to matters specific to us.

Dependence on management and directors

We will be dependent upon the efforts, skills, and business contacts of key members of management and the board for, among other things, the information and investment opportunities they can generate. Accordingly, our success may depend upon the continued service of these individuals to our business. The loss of the services of any of these individuals could have a material adverse effect on our revenues, net income, and cash flows and could harm our ability to secure investments, maintain or grow our assets and raise funds.

Investment evaluation

The due diligence process undertaken by Western in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, we will conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment and will be required to rely upon the accuracy and completeness of information supplied by potential investees. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental, and legal issues. Outside consultants, legal advisors, accountants, and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment, and we will be required to rely in part on such advisors' assessment of potential liabilities and risks associated with each investment. The due diligence investigation that is carried out by Western and our advisors with respect to any investment opportunity may not reveal or highlight all relevant risks or liabilities associated with the investment. Unforeseen risks or liabilities may have a material and adverse impact on our liabilities, profitability, results of operations, and financial condition.

Trading volatility of common shares

Management of the Corporation cannot predict at what price its common shares will trade, and there can be no assurance that an active trading market for the common shares will be sustained. The market price of the common shares could be subject to significant fluctuations in response to variations in financial results, general trends in the industry, and other factors, including extreme price and volume fluctuations that have been experienced by the securities markets from time to time. The illiquidity and fluctuation in market price may adversely affect our ability to raise additional funds through the issuance of common shares, which could have a material and adverse impact on our profitability, results of operations, and financial condition.

Additional issuances and dilution

Western may issue and sell additional securities of Western, including Common Shares and other securities to finance its operations or future acquisitions. Western cannot predict the size of future issuances or the effect, if any, it will have on the market price of any securities of Western issued and outstanding from time to time. Sales or issuance of a substantial number of securities or the perception that such sales could occur may adversely affect prevailing market prices for securities of Western. With any additional sale or issuance of securities, holders may suffer dilution with respect to voting power and may experience dilution in Western's earnings per share.

Risks relating to our investments

Given the nature of our investment activities, the results of operations and our financial condition are dependent upon the financial condition and performance of the businesses comprising our investments. The performance of our associates can be affected by a variety of general economic conditions or by specific factors, such as weather, that may individually impact each business. Western's ability to generate income is affected by the profitability, fluctuations in working capital, and cash flow of its associates. There can be no assurance regarding the amounts of income and cash flow to be generated by them and the amounts to be paid to Western.

Convertible Debentures

The convertible debentures will mature on March 31, 2024. Western may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet these obligations. There is no guarantee that Western will be able to repay the outstanding principal amount upon maturity.

Western may, at its option, force the conversion of the Debentures into common shares on or after March 31, 2021, if the market price of the Common Shares is $0.65 or greater for 20 consecutive trading days. This will affect the overall number of common shares outstanding and could dilute earnings per share.

The Debentures may be redeemed, at the option of Western, on or after March 31, 2021, upon payment of the principal at the redemption price specified, together with any accrued and unpaid interest. Western may exercise this redemption option if it can refinance at a lower interest rate or it is otherwise in the interest of Western to redeem the Debentures.

Subsequent Events

On March 24, 2023 GlassMasters issued an amended promissory note to replace the note issued on April 1, 2022. The terms of the $4,658,559 new promissory note (which comprises part of our 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. Interest is to be a rate set by the Board of Directors of GlassMasters from time to time. At the GlassMasters annual board meeting on March 24, 2023, the 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.

Proposed transaction

As at December 31, 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 4 of Western's annual audited financial statements for the Year ended December 31, 2022.

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 year ended December 31, 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.