

THE
WESTERN INVESTMENT
COMPANY OF CANADA LIMITED



Interim Management's Discussion and Analysis

Quarterly Highlights

For the period ended June 30, 2023

Dated: August 16, 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 Interim Management Discussion and Analysis (“MD&A”) provides an update on the Corporation's business activities, financial condition, financial performance, and cash flows since December 31, 2022. The Corporation reports its financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars. The MD&A should be read in conjunction with the audited financial statements of the Corporation, and the annual MD&A, for the year ended December 31, 2022. The MD&A was prepared by management of Western and was approved by the Board of Directors on August 16, 2023. Additional information relating to the Corporation, including its Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The following table outlines the acquisitions we have completed as of August 16, 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 | 49.5% |
| Fortress Insurance Company | May 6, 2019 | 28.3% |

Key Highlights for the period ended June 30, 2022

2023 is off to a good start, with Western reporting its best year-to-date results since inception. Both revenue and net income exceeded all previous comparative periods. Management at each of our associates has worked hard to combat the inflationary and unstable economic environment. We are seeing improvements in gross margins and growth in sales across many of Western's investees.

After having a record year in 2022, GlassMasters ARG Autoglass Two Inc. ("**GlassMasters**") is doing it again with another record-breaking quarter. Sales for the year-to-date have exceeded the prior year by 23%, and EBITDA is up 62%. Sales, gross profit, and normalized net income have exceeded every comparative period since the company was acquired in 2016. Growth is on the horizon, with three new locations coming online in 2023. With this success, GlassMasters serves as Western's primary cash flow source, with regular interest payments on the restructured shareholder notes.

Business at Fortress Insurance Company ("**Fortress**") continues its rapid growth, with a 53% growth in gross premiums written from the comparative period of 2022. The \$5.2 million equity offering, completed in late 2022, provided cash and value-added business partners to contribute to Fortress's continuing growth and development. With the investment market recovering, Fortress is realizing gains on its investment portfolio, boosting its profitable underwriting business. Fortress is focused on diversification, expanding its product offerings into liability insurance and the Ontario market.

Foothills Creamery Ltd. ("**Foothills**") has been working hard at turning their business into the profitable company we know it can be. Results to date in 2023 are a testament to this, as gross margins improved from 13% in the 2022 year-to-date to 22%. An improved pricing strategy should continue this trend and address any ongoing inflation and rebate fluctuations. Demand for frozen products is high this summer, and we are optimistic for a successful year.

Golden Health Care ("**Golden**") has maintained revenue levels, with rent increases countered by a drop in occupancy. While occupancy at one of our homes has improved, another has dropped below expectations. Inflation has impacted the cost of care, and attracting staff has been challenging. Management is focused on improving occupancy, hoping to reach a break-even point at the two underperforming homes.

The \$1.3 million improvement in net income this year-to-date is an indication of the hard work that has gone on to improve earnings from each of our associates. We believe we have solid management and strategic plans in place and are working closely with each company to further improve profitability. Looking to the end of 2023, we expect revenue growth and improved margins to lead Western into a record-breaking year.

A top priority for Western will be addressing the convertible debentures coming due in early 2024. We are in discussions with key stakeholders to develop our plan to meet this coming obligation, which by its nature, is a material liquidity risk. We believe we can provide an attractive proposal to current debenture holders for renewal.

Review of Western's Operations and Financial Results

The financial highlights of the Corporation are:

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------------|--------------------------------|------------------|------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Income | 932,258 | 263,373 | 1,476,495 | 13,510 |
| Professional fees | 115,872 | 62,837 | 163,023 | 157,636 |
| Regulatory fees | 32,629 | 21,766 | 44,423 | 34,368 |
| Management salaries | 133,840 | 94,843 | 239,820 | 190,209 |
| Share based compensation | 56,512 | 51,964 | 56,512 | 51,964 |
| Interest | 190,292 | 162,694 | 374,577 | 318,673 |
| Other expenses | 9,946 | 6,400 | 16,696 | 13,082 |
| Total expenses | 539,091 | 400,504 | 895,051 | 765,932 |
| Net income (loss) | 393,167 | (137,131) | 581,444 | (752,422) |
| Net income (loss) per share | 0.013 | (0.005) | 0.019 | (0.025) |

| Financial position (\$) | June 30, 2023 | December 31, 2022 |
|----------------------------------|---------------|-------------------|
| Working capital | (3,553,441) | 261,774 |
| Total assets | 19,690,745 | 18,615,425 |
| Operating loan | 1,601,288 | 1,200,316 |
| Loans and convertible debentures | 4,926,289 | 4,883,173 |
| Shareholders' equity | 12,985,655 | 12,377,424 |

| Western Share Count Information | June 30, 2023 | December 31, 2022 |
|--------------------------------------|---------------|-------------------|
| Common shares issued and outstanding | 30,207,756 | 30,287,756 |

Western earned equity income of \$1.1 million, a significant improvement from our equity loss in comparative period of 2022. Income is also boosted in 2023 from the restructuring undertaken at GlassMasters, which now provides Western with regular interest income. Much of this jump in revenue is the result of the success being experienced at GlassMasters and Foothills.

Expenses have increased this year, with higher professional fees incurred related to the year-end audit. Management salaries are also higher with increased time spent on the year-end audit. Interest expense has increased over time with rising interest rates.

With the convertible debentures' maturity approaching, they are now recorded as a current liability, affecting our working capital. Management is actively working to address this maturity.

For the remainder of the year, we are optimistic that equity income will continue to increase as the economy stabilizes. We expect steady growth in the insurance business and ongoing expansion at GlassMasters. We will continue to focus on maintaining profitability at Foothills.

Net Asset Value

To provide shareholders with an idea of the actual value of their investment, 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 in our December 31, 2023 MD&A. 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 well above 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 what many other private equity companies are seeing with the difficult economic conditions currently faced by businesses and increased interest rates. We expect that net asset value will remain a dynamic number with improving results and increased stability.

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

| \$ | 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 | (3,683,172) |
| Net asset value | 20,405,002 |
| Common shares outstanding | 30,287,756 |
| Value per share | \$ 0.67 |

Summary of Equity Investments

Below is a summary of the results of each of Western's associates for the period ended June 30, 2023. The performance of our associates is assessed based on revenues, net 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 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 six months ended June 30, 2023, Western recognized equity income of \$90,552 from Fortress (June 30, 2022 - \$255,293 loss).

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

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Gross premiums written | 7,262,622 | 4,936,798 | 10,981,840 | 7,297,971 |
| Insurance revenue | 5,036,753 | 2,359,997 | 9,682,871 | 3,829,171 |
| Insurance service result | 639,083 | 345,596 | 1,099,380 | 551,670 |
| Investment income (loss) | 46,750 | (314,383) | 355,195 | (694,674) |
| Net income (loss) | 224,752 | (226,118) | 499,153 | (483,021) |

Fortress continues on its trajectory of rapid growth, with increases in gross premiums written each year, including a 53% increase from the same period of 2022. Fortress increased its capacity on all its products in the first quarter and added a new liability insurance product to its lineup. The company's underwriting business is now consistently profitable, and insurance revenue has more than doubled from the comparative year-to-date. Fortress expects to see continued growth in premiums written throughout the coming years. As the company continues this growth, they are focused on ensuring they have a strong management team in place for success.

While the prior year's operating performance was hampered by losses incurred in their investment portfolio, the markets are recovering in 2023, as evidenced by the positive investment income earned. As investment markets recover, Fortress's net income will receive a boost from gains in their investment portfolio.

The Western Investment Company of Canada Ltd.

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The \$5.2 million equity offering in 2022 and strategic agreement with a U.S. based specialty insurance company have set the company up for continuing growth and development, providing it with capital, capacity and growth opportunities for years to come. This equity financing included 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. With additional capacity and capital Fortress will diversify its offerings with new products and expansion into the Ontario market.

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 trailing 12-month loss ratio as at June 30, 2023 (incurred losses over earned premium) is 39% (June 30, 2022 – 43%), 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.

Western now has 28% ownership of Fortress after the dilution with the equity raise in 2022. It 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, 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 distribution facilities in Edmonton, Alberta, and Kelowna, BC. Foothills butter products are specially churned, using only the freshest cream to produce a smooth textured product with exceptional taste. Target markets for its butter products include grocery retailers and the food service industry, including commercial kitchens and bakeries. Ice cream sales are seasonal, with the busiest quarters occurring in the spring and summer months. Based on this seasonality, readers are cautioned not to weigh quarterly financial data equally for all quarters.

In the six months ended June 30, 2023, Western recorded equity income of \$564,522 from Foothills (June 30, 2022 – equity loss of \$423,100). Western earns annual management fees of \$75,000 from Foothills. Management fees from Foothills are currently being added to the shareholder loan balance, which is due to mature in 2024. \$20,229 in interest was earned on this shareholder loan during the period.

The Western Investment Company of Canada Ltd.
Management's Discussion and Analysis

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

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------|--------------------------------|-----------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 11,139,999 | 9,574,813 | 18,308,862 | 16,468,918 |
| Gross profit | 2,427,799 | 1,409,478 | 3,943,707 | 2,154,325 |
| Net (loss) income | 443,614 | (220,350) | 1,138,835 | (839,485) |
| Interest | 267,563 | 185,644 | 550,771 | 352,569 |
| Amortization and depreciation | 417,339 | 295,434 | 732,018 | 581,638 |
| Tax | (195,860) | (65,819) | 11,803 | (250,755) |
| EBITDA | 932,656 | 194,909 | 2,433,427 | (156,033) |

After a very challenging year in 2022, Foothills entered 2023 with a determination to improve gross margins and return the company to profitability. 2023 results to date show a remarkable turnaround. Revenue is slightly ahead of the prior year, but gross margins have jumped from 13% to 22%, providing an 83% increase in gross profit. Foothills achieved this with an improved pricing strategy that accounts for the rise in input costs, savings in logistics, and improvements in the dairy rebates received. The focus on high-margin frozen products is also starting to pay off.

Looking forward, inflation and rebates appear to be stabilizing. Cost increases are now more readily passed on to customers with a pricing strategy that will better manage the volatility of input costs and government rebates. The company is maintaining high inventory levels to ensure it can meet a strong demand for frozen products through the summer months. Innovation continues with 12 new products recently added. The sales team is adding new accounts leading to growth in the frozen mix and specialty butter categories.

Foothills sold its storage facility in Kelowna during the period, providing it with capital to complete upgrades to the processing plant and pay down debt. A \$1.1 million gain on sale is included in EBITDA and net income. With this one-time gain removed, EBITDA to date is still \$1.5 million ahead of the prior comparative period, and net income is \$0.9 million ahead.

Cash flow continues to be a main priority moving forward, and in the past quarter, Foothills negotiated a revised financing arrangement with its lender. This refinancing will decrease debt service requirements and allow the company to make necessary upgrades to the plant.

In October 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 share issued upon loan conversion. Each warrant shall entitle Western to purchase one share of Foothills. As of June 30, 2021, the loan balance owing to Western was \$355,329 (December 31, 2022 - \$295,726).

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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 this 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 or losses have been recognized in 2023 or 2022. As at June 30, 2023, the unrecognized negative balance of our investment in Ocean Sales was \$203,849 (December 31, 2022 - \$196,608).

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

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 3,923,343 | 5,624,712 | 9,743,128 | 9,384,559 |
| Gross profit | 1,935,759 | 3,396,610 | 5,353,181 | 5,392,939 |
| Net income | (380,526) | 367,113 | 65,200 | 173,179 |
| Interest | 107,546 | 81,444 | 215,727 | 157,083 |
| Amortization and depreciation | 110,118 | 98,117 | 222,289 | 195,582 |
| Tax | (56,162) | 113,289 | (2,523) | 56,954 |
| EBITDA | (219,024) | 659,963 | 500,693 | 582,798 |

Attendance at consumer shows was strong during the first quarter, with revenues increasing by 55%, gross profit up 71% and a significant improvement in net income. This was countered by a weak second quarter, bringing results to date in line with the previous year. Online sales have dropped as products reach maturity after major success experienced in this sales channel in 2022. Sales at Costco have been in decline as well, with past product offerings being phased out.

The key to a successful 2023 will be on refreshing their product offerings. The company focuses on finding innovative products to add to their lineup. The ability to source fresh new products will be crucial to their future success. In addition, the company is looking at making changes to sales channels that are unprofitable. Ocean has several new products in development, with some being launched during the busy summer show season.

Ocean Sales recently signed a new bank facility to increase their borrowing flexibility. Covenants on this new facility are not tested until December 31, 2023.

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 this 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”). 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.

In the six months ended June 30, 2023, Western recognized an equity loss from Golden of \$15,413 (June 30, 2022 - \$59,901 income).

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

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 2,191,798 | 2,172,701 | 4,384,583 | 4,381,537 |
| Net income | (1,381) | 74,272 | (50,486) | 199,805 |
| Interest | 89,915 | 104,718 | 180,805 | 233,582 |
| Amortization and depreciation | 143,375 | 148,404 | 285,800 | 296,669 |
| Tax | 46,761 | 62,073 | 93,522 | 124,146 |
| EBITDA | 278,670 | 389,467 | 509,641 | 854,202 |

Revenue has remained stable, but the current inflationary environment has affected EBITDA and net income at Golden. Staff expenses have increased 12% and total expenses 10% over the comparative period. The pandemic has made it increasingly hard to retain and attract qualified staff to long-term care, increasing wage expenses. Care homes have a difficult time passing increased costs onto residents who are already stretched on their ability to afford it. Rent increases have occurred; however, this can affect occupancy, which is now an issue for two of our three homes.

Occupancy has become an increased issue in the last few quarters. Occupancy at the Good Shepard has been stable and near full, and some improvements are seen at Hill View Manor. This has been countered by a drop in occupancy at William Albert House, which has experienced a greater than typical attrition. 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 government subsidization to assist in meeting the health care needs of its residents.

During the period, Western received a \$105,000 dividend from Golden.

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 retail locations providing repair and replacement of auto glass and 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, with expansion this year into British Columbia.

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% to 58%. 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. In 2022, there was also a small dilution of Western's ownership interest in GlassMasters from 58% to 55% due to shares issued to management.

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 was 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%. Western's share of the return of capital and related promissory note was \$4,658,559. On March 24, 2023, GlassMasters amended the promissory note to shareholders, replacing the note issued in 2022. The new terms added in the automatic renewal for five years upon each maturity date and set the interest rate to be as determined by the Board of Directors of GlassMasters from time to time. The Board has set the interest rate at 10% for 2023.

The interest earned on the note payable provides cash flow with an additional revenue source for the Corporation and creates tax efficiencies at the operating company. The intention is for the note to be renewed indefinitely, and it is considered part of Western's total investment in GlassMasters.

GlassMasters contributed equity income of \$458,760 and finance income of \$267,454 to Western's results in the six months ended June 30, 2023 (June 30, 2022 - \$115,476 equity income and \$189,177 finance income). Western earns \$75,000 annually in management fee revenue.

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

| Financial results (\$) | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 10,602,552 | 8,679,490 | 17,223,897 | 13,957,346 |
| Gross profit | 3,580,153 | 2,689,523 | 5,294,664 | 4,028,883 |
| Net income | 1,082,993 | 447,116 | 829,285 | 203,694 |
| Note payable interest paid to shareholders | 162,115 | 205,847 | 324,231 | 205,847 |
| Adjusted Net income ¹ | 1,245,108 | 652,963 | 1,153,516 | 409,541 |
| Net income | 1,082,993 | 447,116 | 829,285 | 203,694 |
| Interest | 376,807 | 397,678 | 735,869 | 523,671 |
| Amortization and depreciation | 367,966 | 398,334 | 763,168 | 803,353 |
| Tax | 323,491 | 134,870 | 247,708 | 62,160 |
| EBITDA | 2,151,257 | 1,377,998 | 2,576,030 | 1,592,878 |

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

GlassMasters has the start of another record-breaking year with revenue, EBITDA, and adjusted net income for the year-to-date exceeding every comparative period since acquisition. For the six months ended June 30, 2023, revenue was up 23%, and gross margins improved approximately 2% from the prior comparative period. Normalized net income, which removes the shareholder interest, is well over double that of 2022. GlassMasters has expanded its radio advertising and call center, translating into an ongoing growth in sales at both the wholesale and the retail level. The company started the year well stocked up on inventory, preparing it to meet high demand and improve margins. We credit the strong management team at GlassMasters for successfully maintaining their margins and the growth in sales despite a challenging economic environment.

GlassMasters has many exciting developments to report in 2023 with the addition of 3 new locations. They recently opened a satellite location in Okotoks, Alberta, and purchased a 50% interest in K&K Glass, a small windshield replacement shop in North Battleford. Later this year, the company will be expanding into BC, with a location in Kelowna which will include a warehouse and a small retail shop. Management continues to assess additional expansion opportunities.

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 this investment under the equity method.

Summarized financial information about Western's associates and investments in these associates is disclosed further 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:

| C\$000s except for per share amounts | Jun 30, 2023 | Mar 31, 2023 | Dec 31, 2022 | Sept 30, 2022 | Jun 30, 2022 | Mar 31, 2022 | Dec 31, 2021 | Sept 30, 2021 |
|--------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Income/(loss) | 932.3 | 544.2 | 620.7 | 588.7 | 263.4 | (249.9) | (223.6) | 455.4 |
| Operating expenses | 539.1 | 355.9 | 339.5 | 332.9 | 400.5 | 365.4 | 299.9 | 334.2 |
| Net income (loss) | 393.2 | 188.3 | 281.2 | 255.8 | (137.1) | (615.3) | (523.5) | 121.2 |
| Earnings (loss) per share | | | | | | | | |
| - Basic and diluted | 0.013 | 0.006 | 0.010 | 0.008 | (0.005) | (0.020) | (0.017) | 0.004 |
| Total assets | 19,690.7 | 18,658.3 | 18,615.4 | 18,064.0 | 17,543.1 | 17,571.7 | 18,490.0 | 18,967.6 |
| Total long-term liabilities | 2,696.3 | 2,241.4 | 6,083.5 | 4,737.1 | 4,746.4 | 4,605.7 | 4,620.0 | 4,484.3 |

Quarterly Trends and Seasonality

Certain associates of the Corporation experience seasonal fluctuations in activity and financial performance. The spring and summer months are generally the busiest for our seasonal associates. Income in the summer quarter of 2023 was over double that of the prior year, thanks to booming sales at GlassMasters and a hot summer to support high-margin ice cream sales at Foothills.

The first quarter of the year is particularly weak for most of our associates. For some, it was the usual seasonal slow quarter. Fortress was hit by unrealized investment losses in 2022 as the bond market hit record lows. The markets rebounded in 2023. 2022 fell short of expectations due to lower than anticipated equity income. The first quarter of 2023 has exceeded all past first quarters, and these results have continued into the second quarter. We look forward to reporting on the summer quarter of 2023.

Expenses are relatively stable from quarter to quarter, with some increases expected with inflation and rising interest rates. The current quarter's costs increase related to additional expenses incurred on the year-end audit. Variances in expenses occur based on activity and will be higher when a transaction is underway.

Liquidity and Capital Resources

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

| \$ | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|-----------------------------------|-----------------------------------|
| Cash used in operating activities | (345,381) | (311,727) |
| Cash (used in) provided by investing activities | (42,824) | 685,508 |
| Cash provided by (used in) financing activities | 368,496 | (366,137) |
| (Decrease) increase in cash | (19,709) | 7,644 |
| Cash, beginning of Year | 25,715 | 23,318 |
| Cash, end of Year | 6,006 | 30,962 |

The net cash used in operating activities for the period ended June 30, 2023, relates to management fees and interest, less cash flow required to fund operations, including general

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and administrative costs, professional fees, salaries, and working capital needs. It also includes interest paid on the debentures and other loans.

Cash used in investing in the period ended June 30, 2023, relates to cash advanced to associates. Cash provided by investment activities for the comparative period 2022 relates primarily to proceeds received on the sale of GlassMasters shares and dividends from Golden.

Cash provided by financing activities for the period ended June 30, 2023, relates to advances taken on the operating loan less the repurchase of shares. In the comparative period, repayments on the operating loan were made.

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

| \$ | June 30, 2023 | December 31, 2022 |
|--|---------------|-------------------|
| Demand revolving operating loan facility | 1,601,288 | 1,200,316 |
| Loan from related party | 1,095,000 | 1,200,000 |
| Convertible debentures | 3,831,289 | 3,683,173 |
| Less: cash | (6,006) | (25,715) |
| Net loans | 6,521,571 | 6,057,774 |
| Shareholders' equity | 12,985,655 | 12,377,424 |

The Corporation has a committed revolving operating loan facility available to the maximum amount of \$2,000,000. The facility has a three-year revolving period with a maturity date of October 6, 2025. Interest is paid monthly 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.

Western holds a \$1.095 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 \$44,786 per year. During the period ending June 30, 2023, Western made payments of \$105,000 on the loan. With the perpetual nature of the loan, Western has no plans to repay further amounts on 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 7 to the June 30, 2023, interim financial statements for further information on the debentures. Western plans to reissue the debentures on or before the date they come due in 2024. Western is currently working with debenture holders to determine the details for the new issuance. With the maturity of this obligation being less than twelve months away, there is a material uncertainty about Western's ability to meet the obligation. Western does have contingency plans in place should it be unable to meet this obligation.

The Corporation generates operating cash from finance income, management fees, and dividends from its portfolio investments. Disposing of an investment, or a portion thereof, is also a potential source of cash for the Corporation. The Corporation's regular income does not cover current 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, assuming the successful re-issuance of the debentures. Western works closely with their associates to monitor their performance and forecasts. Should Western find itself at risk of being unable 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 periods ended June 30, 2023, and 2022. During the period ended June 30, 2023, 80,000 shares were repurchased by the Corporation in conjunction with its normal course issuer bid at a cost of \$29,726 (June 30, 2022 – 36,000 shares repurchased at a cost of \$13,658). This brings the total common shares outstanding at June 30, 2023, to 30,207,756 (December 31, 2022 – 30,287,756). No additional shares have been repurchased subsequent to June 30, 2023, and up to the date of this MD&A. Currently, the total common shares outstanding is 30,207,756. 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 period ended June 30, 2023, 275,000 stock options were issued (June 30, 2022 – 220,000 options). On June 30, 2023, total stock options outstanding was 2,939,000 (December 31, 2022 – 2,664,000), with exercise prices ranging from \$0.27 to \$0.65.

Off-Balance Sheet Arrangements

As at June 30, 2023, and up to the date of this MD&A, the Corporation had no off-balance sheet arrangements.

Related Party Information

The Corporation has related party transactions with management and the Corporation's associates. A detailed description of these transactions is presented in the notes to the financial statements for the period ended June 30, 2023, 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 December 31, 2022 annual MD&A sets out a brief discussion of the factors which may have a material impact on the Corporation's future business or financial performance. No significant changes to those factors have occurred to date of this report.

Subsequent Events

On July 14, 2023, 10,500 shares of Foothills were issued from treasury to a member of management, diluting the Corporation's ownership of Foothills from 49.6% to 49.5%.

Proposed transaction

As at June 30, 2023, 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 future years. The critical accounting estimates and judgments are described in detail in note 5 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, Western's financial instruments, including cash, accounts receivable, certain amounts due from related parties, accounts payable and accrued liabilities, and loans and borrowings, are measured at amortized cost. 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 and include certain amounts due from related parties.

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 risks and related exposures are consistent with the Corporation's business objectives and risk tolerance levels. As a result of the use of the above-mentioned financial instruments, the Corporation is 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. At times adjusted net income may be presented, to removed non-operating income or expenses or one-time transactions. This is believed to provide a better picture of true results from operations and/or be comparable to prior year results.

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.