The Western Investment Company of Canada Limited

Financial Statements
December 31, 2023 and 2022

Independent auditor's report

To the Shareholders of
The Western Investment Company of Canada Limited

Opinion

We have audited the financial statements of **The Western Investment Company of Canada Limited** [the "Corporation"], which comprise the statements of financial position as at December 31, 2023, and 2022, the statements of income (loss) and comprehensive income (loss), statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Key audit matters

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

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of convertible debentures As more fully described in Note 9 to the financial statements, during the year, the Corporation issued $5 million of convertible debentures. Note 4 to the financial statements describes the Corporation's accounting policy for convertible debentures which includes that for initial recognition, a compound financial instrument is separated into its liability and equity components. The fair value of the liability component is determined using a market rate of interest for an equivalent non-convertible instrument. The determination of an appropriate market rate of interest for an equivalent non-convertible instrument is subject to significant judgment. Auditing the valuation of the convertible debentures was complex given the degree of judgment and subjectivity required in evaluating the interest rate used by management to calculate the fair value of the liability component and required the involvement of professionals with specialized knowledge of debt and capital markets. The interest rate is a significant input to the calculation of the fair value of the liability component.	To test the valuation of the convertible debentures, our audit procedures included, among others: • With the assistance of our valuation specialists, we developed an independent estimate of a range of market interest rates, considering relevant benchmark interest rates and the Corporation's own credit risk, for an equivalent debt instrument without the conversion feature and compared it to the interest rate selected by management. • We validated key inputs used in the calculation of the fair value of the liability component to the underlying subscription agreement and tested the formulas used and the computational accuracy of the Corporation's calculation of the fair value of the liability component. • We assessed the adequacy of the Corporation's disclosures in the accompanying financial statements in relation to this matter.

Other information

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
April 29, 2024

The Western Investment Company of Canada Limited

Statements of Financial Position

As at December 31, 2023 and 2022

	2023 $	2022 $
Assets		
Current assets		
Cash	618,673	25,715
Accounts receivable	12,687	371
Due from related parties (note 17)	-	382,558
Prepaid expenses	24,764	7,642
	656,124	416,286
Due from related parties (note 17)	740,205	861,716
Investments in associates (note 6)	18,468,149	17,337,423
Total assets	19,864,478	18,615,425
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	358,441	154,512
Convertible debentures (note 9)	1,122,649	-
	1,481,090	154,512
Operating loan (note 7)	-	1,200,316
Loan from related party (note 8)	1,095,000	1,200,000
Convertible debentures (note 9)	4,508,332	3,683,173
Total liabilities	7,084,422	6,238,001
Shareholders' equity		
Share capital (note 10)	15,646,943	15,688,381
Contributed surplus (note 10)	2,041,586	1,477,805
Equity component of convertible debentures (note 9)	623,176	793,815
Accumulated other comprehensive income	22,978	22,978
Deficit	(5,554,627)	(5,605,555)
Total shareholders' equity	12,780,056	12,377,424
Total liabilities and shareholders' equity	19,864,478	18,615,425

Nature of operations (note 2)
Subsequent events (note 19)

Approved by the Board of Directors

"Scott Tannas" Director   "Jennie Moushos" Director

The accompanying notes are an integral part of these financial statements

The Western Investment Company of Canada Limited

Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2023 and 2022

	2023 $	2022 $
Income		
Income (loss) from equity investments (note 6)	1,235,241	(613,687)
Finance income (note 18)	605,278	601,682
Gain on disposal and dilution (note 6)	485	950,638
Loss on debt settlement (note 9)	(205,594)	-
Management fees (note 18)	172,500	284,271
	1,807,910	1,222,904
Expenses		
Legal fees	31,163	72,908
Accounting fees	219,512	123,835
Regulatory fees	55,839	44,244
Consulting fees	57,143	67,018
Other	41,803	33,044
Salaries and benefits (note 18)	447,592	378,154
Interest on convertible debentures (note 9)	630,972	563,183
Interest on operating loan (note 7)	114,850	54,850
Interest on related party loan (note 8)	46,694	49,080
Share-based compensation (note 10)	56,513	51,964
	1,702,081	1,438,280
Income (loss) before taxes	105,829	(215,376)
Deferred tax recovery (note 11)	96,138	-
Net Income (loss) and comprehensive Income (loss) for the year	201,967	(215,376)
Net income (loss) per common share (note 15)		
Basic and diluted	0.007	(0.007)
Weighted average number of common shares outstanding (note 15)		
Basic	30,236,345	30,298,633
Diluted	30,502,535	30,518,365

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

The Western Investment Company of Canada Limited

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2023 and 2022

	Number of shares	Share capital $	Contributed surplus $	Equity component of convertible debentures $	Accumulated other comprehensive income $	Deficit $	Total shareholders' equity $
Balance – December 31, 2022	30,287,756	15,688,381	1,477,805	793,815	22,978	(5,605,555)	12,377,424
Repurchase of shares (note 10)	(80,000)	(41,438)	11,712	-	-	-	(29,726)
Issuance of share-based compensation (note 10)	-	-	56,513	-	-	-	56,513
Exchange and issuance of debentures	-	-	495,556	(170,639)	-	-	324,917
Dividends paid (note 14)	-	-	-	-	-	(151,039)	(151,039)
Net income for the year	-	-	-	-	-	201,967	201,967
Balance – December 31, 2023	30,207,756	15,646,943	2,041,586	623,176	22,978	(5,554,627)	12,780,056
Balance – December 31, 2021	30,338,756	15,714,798	1,418,468	793,815	22,978	(5,238,665)	12,711,394
Repurchase of shares (note 10)	(51,000)	(26,417)	7,373	-	-	-	(19,044)
Issuance of share-based compensation (note 10)	-	-	51,964	-	-	-	51,964
Dividends paid (note 14)	-	-	-	-	-	(151,514)	(151,514)
Net loss for the year	-	-	-	-	-	(215,376)	(215,376)
Balance – December 31, 2022	30,287,756	15,688,381	1,477,805	793,815	22,978	(5,605,555)	12,377,424

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

The Western Investment Company of Canada Limited

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

	2023 $	2022 $
Cash provided by (used in):		
Operating activities		
Net income (loss) for the year	201,967	(215,376)
Adjustments for non-cash items		
(Income) loss from equity investments (note 6)	(1,235,241)	613,687
Gain on disposal and dilution (note 6)	(485)	(950,638)
Loss on debt settlement (note 9)	205,594	-
Interest on convertible debentures (note 9)	630,972	563,183
Share-based compensation	56,513	51,964
Amortization of deferred financing fee	5,500	1,375
Deferred tax recovery (note 11)	(96,138)	-
Interest paid on convertible debentures (note 9)	(336,036)	(300,000)
Net change in non-cash working capital (note 16)	551,547	(352,779)
Cash used in operating activities	(15,807)	(588,584)
Investing activities		
Advances to related parties	(182,319)	(363,797)
Repayments from related parties	303,831	267,513
Proceeds on sale of investment in associate (note 6)	-	535,175
Dividends from associate (note 6)	105,000	138,000
Cash provided by investing activities	226,512	576,891
Financing activities		
Proceeds from issuance of convertible debentures	2,125,000	-
Debenture issuance costs	(256,666)	-
Advances (repayments) on operating loan (note 7)	(1,200,316)	201,149
Financing fees paid	-	(16,500)
Repayment of loan from related party	(105,000)	-
Dividends paid to shareholders (note 14)	(151,039)	(151,514)
Repurchase of shares (note 10)	(29,726)	(19,045)
Cash provided by financing activities	382,253	14,090
Net increase in cash	592,958	2,397
Cash – Beginning of year	25,715	23,318
Cash – End of year	618,673	25,715
Supplemental cash flow information		
Interest paid	497,581	403,930

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

1 Incorporation

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

2 Nature of operations

The head office and principal address of the Corporation is 1010 24th Avenue S.E., High River, Alberta, T1V 2A7 and the address of the registered office is Suite 800, Dome Tower, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The financial statements of the Corporation for the year ended December 31, 2023 were approved and authorized for issuance by the Corporation's Board of Directors on April 29, 2024.

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

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

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

Following is a summary of Western's equity investments (see note 6 for additional information):

GlassMasters ARG Autoglass Two Inc. – equity investment

In 2016, GlassMasters ARG Autoglass Two Inc. ("GlassMasters") became Western's first investment. The Corporation's total investment in GlassMasters at December 31, 2023 was 55%. GlassMasters is an automotive glass service company providing repair and replacement of automotive glass and an automotive glass warehouse that imports to sell wholesale a full line of quality aftermarket glass parts and materials. GlassMasters' principal markets are in Alberta, Saskatchewan, and British Columbia.

Golden Health Care – equity investment

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

Foothills Creamery Ltd. – equity investment

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

Fortress Insurance Company – equity investment

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

3 Basis of preparation

Statement of compliance

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

Basis of measurement

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

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

4 Material accounting policy information

Cash

Cash consists of cash on hand in the form of deposits with banks and other institutions, as well as cash deposits held in trust for the Corporation.

Accounts payable and accrued liabilities

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

Revenue recognition

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

Stock-based compensation

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

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

Investments in associates

Associates

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

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

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

Income taxes

Income *taxes are comprised of current and deferred taxes. Income taxes are recognized in the statement of income (loss) and comprehensive income (loss) except when related to items recognized directly in equity, in which case the related income taxes are also recognized directly in equity.*

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

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

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

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

Financial instruments

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

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

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

Convertible debentures

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

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

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

The exchange of convertible debentures where there has been a substantial modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original financial liability and the consideration paid to extinguish, which includes the fair value of the new financial liability including transaction costs, is recognized in income and loss.

Impairment of financial assets

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

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

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

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

Provision for expected credit losses

The Corporation recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Corporation's receivables are primarily due from related parties and the ECL assessment takes into account areas of judgment including their ability to pay, the Corporation's level of influence over the collectability, and future forecasts, which incorporate an assessment of future economic conditions. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. Where an amount is determined to not be collectable a provision is taken and the loss is recognized in income or loss.

Related party transactions

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

New accounting pronouncements adopted in 2023

The new and amended standards and interpretations that are issued, and became effective, during the reporting period are disclosed below.

Definition of accounting estimates – amendments to IAS 8

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

The amendments became effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

Adoption of the amendments had no material impact on the Corporation's financials statements.

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

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

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

Adoption of the amendments had no material impact on the Corporation's financials statements.

Income taxes – amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12 Income Taxes, which requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment became effective for annual reporting periods beginning on or after January 1, 2023. The amendment had no material impact on the Corporation's financial statements.

Standards issued but not yet effective

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Corporation's financials statements.

5 Accounting judgments and estimates

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

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

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

Investment entities

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

Compound financial instruments

Western has issued convertible debentures that are classified as a compound financial instrument with both equity and liability components. Key factors impacting the classification of these instruments include the existence of maturity dates, mandatory interest and principal payments, conversion and redemption rights, subordination to other equity instruments and the ability to settle the instrument in cash or equity. Upon initial recognition, the liability component is measured at fair value using a market rate of interest for an equivalent non-convertible instrument, the determination of which requires significant judgment. This rate affects the valuation of the liability and equity components of the instruments.

Impairment of investments in associates

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

Going concern assessment

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

In their assessment, management has considered a wide range of factors relating to expected cash inflows and outflows. During the year, the Corporation issued $5 million in unsecured convertible debentures that mature on December 31, 2025. This issuance has provided greater certainty on the availability of financing for operations. Management maintains a regularly updated multi-year cash flow forecast and believes it will have sufficient cash flow from associates and adequate capacity on the operating loan to fund operations and satisfy its obligations in the normal course of operations for at least the next twelve months.

Economic instability

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

As at December 31, 2023, certain of the Corporation's associates were not in compliance with financial covenants contained within their loans and borrowings (note 6). Each associate is carefully managing its capital to meet obligations.

6 Investments in associates

The investments in associates balance consists of the following:

	2023 $	2022 $
Western's interest in Fortress Insurance Company	2,726,191	2,575,686
Western's interest in Foothills Creamery Ltd.	2,842,164	2,450,120
Western's interest in Golden Health Care	4,711,339	4,781,768
Western's interest in GlassMasters ARG Autoglass Two Inc.	8,188,455	7,529,849
	18,468,149	17,337,423

a) Nature of investments in associates

GlassMasters ARG Autoglass Two Inc.

The Corporation holds a 55% interest in GlassMasters, which was acquired in 2016. Western has two of six directors appointed to the GlassMasters' Board of Directors. Through the extent of its share ownership and its seats on the Board of Directors, the Corporation has the ability to exercise significant influence but not control over GlassMasters and, accordingly, the Corporation is using the equity method to account for this investment.

In 2022, the Corporation sold 245,493 shares of GlassMasters to a new partner for proceeds of $535,175, recognizing a capital gain of $166,411. Also in 2022, 421,579 shares of GlassMasters were issued from treasury to a member of management. A $95,812 gain was recognized by the Corporation as a result of a dilution of its investment.

On April 1, 2022, the shareholders of GlassMasters passed a special resolution to distribute $8 million in capital to shareholders by way of reducing the stated capital on the Class A common shares. The distribution has been treated as a return of paid-up capital for tax purposes and was paid by the issuance of a five-year-term promissory note, bearing interest at a rate equal to the prime rate of the Bank of Montreal plus 10%. The return of capital and related promissory note related to Western's shareholdings was $4,658,559. On March 24, 2023, GlassMasters amended the promissory note to shareholders, replacing the note issued on April 1, 2022. The revised terms include a five-year term, with automatic renewal for a period of five years upon each maturity date, unless the directors of GlassMasters otherwise determine. The interest rate will be set by the Board of Directors of GlassMasters from time to time and was set at 10% for the fiscal year 2023. During the year ended December 31, 2023, $465,856 of interest was earned and received related to this note (2022 – $517,488). This promissory note is considered part of Western's net investment in GlassMasters.

Golden Health Care group of companies

The Corporation acquired a minority interest in Golden in 2017. Western appoints two of nine directors of the Board of Directors of Golden Health Care Management Inc., the company that oversees the operating companies. Through its share ownership and its appointments to the Board of Directors, the Corporation can exercise significant influence over the investment in Golden and, accordingly, the Corporation is using the equity method to account for this investment.

The financial statement reporting date for Golden is August 31; however, the Corporation records equity income aligned with its own reporting periods. Golden's covenants are reported to its lender once per year as at August 31. As at August 31, 2023, two of the homes were in breach of a covenant under the terms of its mortgage agreement. During the 2023 reporting period, and to date, the bank has not indicated any intention to call the loans. Subsequent to year-end Golden's bank renewed the facilities (note 19).

Foothills Creamery Ltd.

The Corporation holds a 50% interest in Foothills, which was acquired in 2018. Western appoints two of seven directors of the Board of Directors and, as such, has the ability to exercise significant influence but not control over Foothills and, accordingly, the Corporation is using the equity method to account for this investment.

Fortress Insurance Company

The Corporation acquired a 50% interest in Fortress in 2019. On October 19, 2022, Fortress closed a $5.2 million equity offering and signed a strategic agreement with U.S.-based Indemnity National Insurance Company. This transaction resulted in the dilution of Western's ownership interest in Fortress to 28%. A gain on dilution of $677,243 was recognized in the year ended December 31, 2022.

IFRS 17, *Insurance Contracts*, was adopted by Fortress on January 1, 2023 with retrospective application. IFRS 9, *Financial Instruments*, was adopted by Fortress on January 1, 2023, without retrospective application. The adoption of these standards does not have a material impact on Western's investment in Fortress.

Western appoints two of eight directors to the Board of Directors and, as such, has the ability to exercise significant influence but not control over Fortress and, accordingly, the Corporation is using the equity method to account for this investment. See note 19 for subsequent events affecting Fortress.

Ocean Sales Group Ltd.

The Corporation acquired a 75% interest in Ocean Sales Group Ltd. ("Ocean") in 2018. In 2020 the effects of the pandemic resulted in a significant impairment of the company and as a result the Corporation's investment in Ocean was written off. The company was not in compliance with bank covenants as at December 31, 2023. The carrying value as at December 31, 2023 was $nil (2022 – $nil).

b) Summarized financial information for associates

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

Summarized financial information as at December 31, 2023 and for the year then ended

	GlassMasters $	Golden $	Foothills $	Fortress $
Current assets	6,237,632	1,192,028	9,205,617	28,334,113
Non-current assets	21,953,906	17,776,422	23,056,411	-
Current liabilities	7,455,774	11,604,863	24,150,486	19,099,525
Non-current liabilities	14,688,804	30,316	2,297,949	-
Net assets	6,046,960	7,333,271	5,813,593	9,234,588
Revenue	35,273,355	9,005,447	38,162,778	20,535,772
Total net income and comprehensive income	1,242,677	114,950	789,348	719,536

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

	GlassMasters $	Golden $	Foothills $	Fortress[1] $
Current assets	7,232,508	1,630,434	8,890,521	24,546,243
Non-current assets	21,101,520	18,375,007	23,952,296	-
Current liabilities	8,082,735	12,413,983	26,118,179	15,936,305
Non-current liabilities	15,447,010	23,136	1,718,470	-
Net assets	4,804,283	7,568,322	5,006,168	8,609,938
Revenue	29,098,831	8,692,073	35,226,186	11,499,180
Total net income (loss) and comprehensive income (loss)	634,535	(12,779)	(1,829,330)	(382,702)

1) Comparative numbers have been restated to conform with the new standard, IFRS 17, *Insurance Contracts*, which was adopted by Fortress on January 1, 2023, with retrospective application. All financial information presented for Fortress is now in accordance with IFRS 17.

c) Reconciliation of investments in associates' carrying value

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

Reconciliation of the carrying amount for the year ended December 31, 2023

	GlassMasters $	Golden $	Foothills $	Fortress $	Total $
Western's ownership interest	55.3%	25.0% – 30.0%	49.5%	28.5%	
Investments in associates as at December 31, 2022	7,529,849	4,781,768	2,450,120	2,575,686	17,337,423
Gain on dilution	-	-	485	-	485
Share of dividends paid out	-	(105,000)	-	-	(105,000)
Share of net income	658,606	34,571	391,559	150,505	1,235,241
Investments in associates as at December 31, 2023	8,188,455	4,711,339	2,842,164	2,726,191	18,468,149

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

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

7 Operating loan

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

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

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

c) an assignment of material contracts; and

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

The Corporation paid fees totalling $16,500 in connection with the amendment of the facility in 2022. These fees were capitalized and are being amortized over the three-year term. As at December 31, 2023, $nil was drawn on the facility (2022 – $1,215,441) and the unamortized financing fees totalled $9,625 (2022 – $15,125).

8 Loan from related party

The Corporation holds a $1.095 million shareholder loan from Golden (2022 – $1.2 million). The loan bears interest at 4.09% annually, payable with monthly interest only and matures annually on January 31 with automatic annual renewal if all amounts of interest owing are not in default. There have been no amounts in default since the inception of the loan and there are no financial covenants affecting the loan. The Corporation has signed a share pledge agreement with respect to its interest in Golden as security for the loan. During the year ended December 31, 2023, Golden declared and paid dividends to its shareholders. Western's share of the dividend was $105,000 (note 6) and was applied to the outstanding balance of the loan. Subsequent to year-end a $90,000 dividend from Golden was applied to the outstanding balance, and the interest rate on this loan increased to 6.09% (note 19).

9 Convertible debentures

On December 1, 2023, the Corporation closed a private placement of new convertible debentures and an issuer bid for the exchange of its existing convertible debentures. In line with this closing, $2.875 million in existing debentures that were due to mature on March 31, 2024 ("2024 Debentures") were exchanged for the new issuance of debentures that mature on December 31, 2025 ("2025 Debentures"). $1.125 million in 2024 Debentures were held to maturity. In addition to the exchange, $2.125 million in additional 2025 Debentures were issued, bringing the total face value of 2025 Debentures issued to $5 million.

In line with the exchange of 2024 Debentures, it was determined that there was a substantial modification of terms on the financial liability. As such, the exchange was accounted for as an extinguishment of debt and the recognition of a new financial liability. A $205,594 loss on debt settlement was recognized in regard to this transaction. The transaction incurred $256,666 in transaction costs, $201,601 of which were allocated to the exchange (contributing to the loss on debt settlement), and $55,065 was allocated against the carrying value of the liability and equity components of the 2025 Debentures.

As at December 31, 2023, the Corporation has issued $1.125 million of unsecured convertible 2024 Debentures with a principal value of $1,000 each. Each 2024 Debenture is convertible into common shares of Western at a conversion price of $0.55 per share at the holder's discretion. The 2024 Debentures mature on March 31, 2024, and bear interest at the rate of 7.5% per annum, payable semi-annually at the end of March and September. These debentures, and all accrued interest, were repaid on March 31, 2024.

As at December 31, 2023, the Corporation has issued $5.0 million of unsecured convertible 2025 Debentures with a principal value of $1,000 each. Each 2025 Debenture is convertible into common shares of Western at a conversion price of $0.48 per share at the holder's discretion. The 2025 Debentures mature on December 31, 2025, and bear interest at the rate of 9.6% per annum, payable semi-annually at the end of March and September. If the closing price of Western's shares on the TSX Venture Exchange is $0.65 or greater for 20 consecutive trading days, Western may, at its option, force the conversion of the 2025 Debentures into common shares.

The 2024 and 2025 Debentures are compound financial instruments containing both a liability and equity component. The liability component of the Debentures represents the present value of interest and principal payments over the life of the financial instrument discounted at 15% for the 2025 Debentures, and 13.9% for the 2024 Debentures, which was the approximate rate available to the Corporation for similar debt without the conversion feature at the date the Debentures were issued. For the 2025 Debentures, issued during the year, the liability component at issuance was $4,447,890, and the residual value of $497,046 (net of pro-rated issuance costs) was allocated to the equity component. The liability component is accreted to the principal value using the effective rate of 16% for the 2025 Debentures and 16.5% for the 2024 Debentures.

A deferred tax liability of $96,138 was recognized on recognition of the 2025 Debentures and the corresponding deferred tax expense was charged to the equity component. As at December 31, 2023, the Corporation recognized a deferred tax recovery, on the application of the deferred tax assets against this liability.

10 Share capital

Authorized

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

Issued

During the year ended December 31, 2023, no common shares were issued (2022 – nil). There are no preferred shares issued to date. The following is a summary of the common shares issued at year-end.

	Number of shares	Amount $
Balance – December 31, 2021	30,338,756	15,714,798
Share repurchase	(51,000)	(26,417)
Balance – December 31, 2022	30,287,756	15,688,381
Share repurchase	(80,000)	(41,438)
Balance – December 31, 2023	30,207,756	15,646,943

Stock option plan

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

275,000 stock options have been issued during the year ended December 31, 2023 (2022 – 220,000). All options vest immediately and are expensed at the time of grant.

All options are settled through Western's common shares. The compensation expense for options granted is calculated using the Black-Scholes option pricing model with the following assumptions:

	2023	2022
Risk-free interest rate	3.38%	3.35%
Spot price	$0.35	$0.34
Exercise price	$0.35	$0.34
Dividend yield	1%	nil
Expected life	10 years	10 years
Volatility	57%	57%

The following stock options were outstanding as at December 31, 2023:

Grant date	Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2016	February 24, 2026	0.50	790,000	2.15	0.60
April 6, 2016	April 6, 2026	0.56	140,000	2.27	0.46
April 21, 2017	April 21, 2027	0.65	30,000	3.31	0.39
June 19, 2017	June 19, 2027	0.65	150,000	3.47	0.33
July 4, 2018	July 4, 2028	0.50	320,000	4.51	0.23
August 23, 2019	August 23, 2029	0.40	294,000	5.62	0.25
June 1, 2020	June 1, 2030	0.27	360,000	6.42	0.17
May 3, 2021	May 3, 2031	0.27	360,000	7.34	0.18
June 29, 2022	June 29, 2032	0.34	220,000	8.50	0.24
June 22, 2023	June 22, 2033	0.35	275,000	9.48	0.21

A total of 2,939,000 options are outstanding and exercisable as at December 31, 2023 (2022 – 2,664,000) with a weighted average exercise price of $0.42 (2022 – $0.43).

Share repurchases

The Corporation has regulatory approval for a normal course issuer bid (the "Bid") whereby Western may purchase up to a total of 1,500,000 common shares in the capital of the Corporation representing approximately 5.0% of the 30,207,756 common shares currently issued and outstanding. The Bid is for a one-year term and is renewed annually. All acquisitions of common shares by the Corporation pursuant to the Bid will be made through the facilities of the TSX Venture Exchange at the market price of the common shares at the time of the acquisition. The Corporation has an automatic share purchase plan in place with a dealer, in which the dealer shall purchase shares on behalf of the Corporation, subject to the limitations on the Bid.

On January 16, 2024, the Board of Directors approved the renewal of the Bid for another year. Each renewal is subject to regulatory approval before it can proceed. Approval was received for the 2024 Bid on January 19, 2024.

For the year ended December 31, 2023, 80,000 common shares were repurchased at a total price of $29,726 (2022 – 51,000 common shares were repurchased at a total price of $19,045). All shares repurchased are cancelled by the Corporation at the end of the month in which they are repurchased with a reduction to share capital at their average issued price, which totalled $41,438 for the year ended December 31, 2023 (2022 – $26,417). The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

11 Income taxes

a) Income tax expense

	2023 $	2022 $
Net Income (loss) before income taxes	105,829	(215,376)
Statutory income tax rate	23.0%	23.0%
Income tax expense (recovery) at statutory rate	24,340	(49,536)
Non-deductible and other items	(95,192)	(29,630)
Unrecognized temporary differences	(24,022)	56,166
Prior year and tax rate adjustments	(1,264)	23,000
Tax expense (recovery)	(96,138)	-

b) Deferred income taxes

As at December 31, 2023, the Corporation's net deferred income tax labilities comprise of the following:

	Opening balance $	Recognized in equity $	Recognized in earnings (loss) $	Closing balance $
Convertible debentures	(72,870)	(96,138)	55,384	(113,624)
Unrealized capital gain	-	-	(87,437)	(87,437)
Non-capital losses	72,870	-	128,191	201,061
Net deferred income tax liability	-	(96,138)	96,138	-

The following deductible temporary differences have not been recognized:

	2023 $	2022 $
Financing costs	215,233	74,236
Investments in associates	-	750,563
Non-capital losses	5,822,936	5,317,820
	6,038,169	6,142,619

As at December 31, 2023, the Corporation has $6,697,118 of non-capital losses available to reduce taxable income in future years (2022 – $5,634,646). The losses expire from 2035.

12 Capital management

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

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

The Corporation's objectives when managing capital are:

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

The Corporation is not subject to any externally or internally imposed capital requirements as at December 31, 2023 and 2022.

13 Financial instruments

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

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

The carrying values of cash, accounts receivable, certain current amounts due from related parties, operating loan and accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these items. Included in current amounts due from related parties as at December 31, 2022 is the Ocean's shareholder loan, which is measured at fair value through profit and loss, based on Level 2 inputs (note 17).

Long-term amounts due from related parties include the GlassMasters shareholder loan (note 17), which is measured at amortized cost and the carrying value approximates its fair value, based on level 3 inputs. Also included in long-term amounts due from related parties is the Foothills shareholder loan, which is measured at fair value through profit and loss, based on Level 3 inputs (note 17).

The fair value of the promissory note receivable, based on Level 3 inputs, from GlassMasters (note 6) approximates its carrying value, which is measured at amortized cost. This loan is included in investments in associates.

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

The loan from related party is measured at amortized cost, which approximates fair value, based on Level 3 inputs.

Credit risk

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

The Corporation's assessment of ECL's, is based on the current financial status of the associates and on future-oriented information, including the use of forecasts. This information is used in the determination of each counter parties credit risk and if it has increased during the period. As at December 31, 2023, the corporation's 12-month ECL is immaterial.

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

	2023 $	2022 $
Cash	618,673	25,715
Accounts receivable	12,687	371
GlassMasters' promissory note receivable (note 6)	4,658,559	4,658,559
Due from related parties (note 17)	740,205	1,244,274
	6,030,124	5,928,919

Liquidity risk

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

The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. The table below summarizes the future undiscounted contractual cash flow requirements as at December 31, 2023 and December 31, 2022 for the Corporation's financial liabilities. The actual outflow of cash could differ significantly.

As at December 31, 2023

	Carrying amount $	Contractual cash flow $	2024 $	2025 $	2026 $	2027 $	2028 and beyond $
Accounts payable and accrued liabilities	358,441	358,441	358,441	-	-	-	-
Loan from related party (note 8)	1,095,000	1,307,069	57,252	61,204	61,204	61,204	1,066,205[1]
Convertible debentures (note 9)	5,630,981	7,166,310	1,566,310	5,600,000	-	-	-
	7,084,422	8,831,820	1,982,003	5,661,204	61,204	61,204	1,066,205

As at December 31, 2022

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

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

Market risk

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

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has access to an operating loan with a variable interest rate. The amount drawn on the credit facility as at December 31, 2023, was $nil .

The 2024 and 2025 Debentures and loan from related party both bear interest at a fixed interest rate.

b) Foreign currency risk

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

14 Dividends declared

The Corporation paid dividends of $0.005 per share on September 29, 2023 to shareholders on record on September 15, 2023. The total amount of dividends paid was $151,039 (2022 – $151,514 paid based on $0.005 per share).

15 Earnings (loss) per common share

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

	2023 $	2022 $
Net income (loss) for the year	201,967	$ (215,376)
Basic weighted average number of common shares outstanding	30,236,345	30,298,633
Effect of dilutive securities	266,190	219,732
Diluted weighted average number of common shares outstanding	30,502,535	30,518,365
Basic earnings (loss) per common share	0.007	$ (0.007)
Diluted earnings (loss) per common share	0.007	$ (0.007)

As at December 31, 2023, there were 2,939,000 share options outstanding (2022 – 2,664,000). Of these options, 1,724,000 were anti-dilutive (2022 – 1,724,000).

16 Supplemental cash flow information

The net change in non-cash working capital is as follows:

	2023 $	2022 $
Accounts receivable	(12,316)	(371)
Due from related parties	382,558	(360,335)
Prepaid expenses	(22,622)	(1,843)
Accounts payable and accrued liabilities	203,927	9,770
	551,547	(352,779)

17 Due from related parties

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

	2023 $	2022 $
Current amounts due from related parties		
GlassMasters' management fees or expense reimbursements	-	19,688
GlassMasters' interest due on promissory note receivable	-	187,701
Foothills' expense reimbursements	-	588
Fortress' expense reimbursements	-	9,609
Ocean's shareholder loan or expense reimbursements	-	164,972
	-	382,558
Long-term amounts due from related parties		
GlassMasters' shareholder loan	320,917	565,990
Foothills' shareholder loan	419,288	295,726
Total due from related parties	740,205	1,244,274

GlassMasters' shareholder loans are subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. The loan is composed of cash advances, unpaid management fees and interest. The loan terms are such that it matures annually with automatic renewal if all interest has been paid. During the year ended December 31, 2023, $303,831 in payments have been received on this loan (2022 – $51,308).

On October 27, 2022, the Corporation advanced $250,000 to Foothills in the form of a shareholder loan bearing interest at 13% per annum. Unpaid interest and management fees shall be added to the principal sum owing. The loan has a one-year maturity date, with the option to extend for two consecutive six-month periods. At the maturity date, Western has the option to convert the outstanding principal sum, together with all accrued and unpaid interest, into shares of Foothills at a conversion price of $1.00 per share. If the conversion option is exercised, Western will receive share purchase warrants of Foothills in the amount of one-third of one share purchase warrant for every one share issued upon conversion of the loan. Each warrant shall entitle Western to purchase one share of Foothills. Foothills' shareholder loan is considered not to represent solely payments of principal and interest and, accordingly, is classified at fair value through profit or loss. As at December 31, 2023, fair value has been determined to equal the $250,000 principal amount of the loan, plus accrued interest of $51,163 (2022 – $6,351) and unpaid management fees of $118,125 (2022 – $39,375). The fair value is based on Level 3 inputs. On October 27, 2023, Western exercised the option to extend the maturity date for the next six months.

As at December 31, 2022, Western had purchased inventory from Ocean, an associate that has been written off, as a form of financial assistance. The inventory consisted of consumer home type products. The inventory was owned by Western until needed by Ocean to satisfy inventory orders from their customers. The loan was considered not to represent solely payments of principal and interest and, accordingly, was classified at fair value through profit or loss. Fair value is determined based on Level 2 inputs and considered to be equal to the cost of the inventory purchased. Western charged a mark-up ranging from 5% to 10% when the inventory was sold to Ocean, which was recorded as finance income on the statements of income (loss) and comprehensive income (loss). The expectation of receiving these amounts was factored into its fair value model. There are no other terms in place between Ocean and the Corporation related to this inventory. All inventory held by Western was repurchased by Ocean during the year. As at December 31, 2023, Western did not hold any inventory related to Ocean and does not anticipate providing financial assistance to this company going forward.

18 Related party transactions

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

For the year ended December 31, 2023:

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Management fees	75,000	22,500	-	75,000	-	172,500
Finance income	524,613	-	34,439	44,812	-	603,864
Dividends (note 6)	-	105,000	-	-	-	105,000
Interest expense (note 8)	-	(46,694)	-	-	-	(46,694)

For the year ended December 31, 2022:

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

In accordance with the terms of a shareholder's agreement, Western earns an annual management fee, to provide strategic, governance and other advisory services, from certain of its associates, payable on a quarterly basis. As at December 31, 2023, $nil in management fees was due from associates (2022 – $29,296).

Finance income relates to interest earned on loans to related parties and mark-up on inventory sold to Ocean, as described in note 17. As at December 31, 2023, $51,163 in interest was due from associates (2022 – $337,411).

During the year ended December 31, 2023, $447,592 in salaries and benefits was paid or payable to members of management (2022 – $378,154). Share-based compensation was awarded to directors and management of the Corporation, as disclosed in note 10. $847,000 of the 2025 Debentures were purchased by directors and management.

19 Subsequent events

On March 14, 2024, Golden declared a dividend to its shareholders of which Western's share was $90,000. This dividend was paid on April 11, 2024, and applied as a principal repayment on Golden's shareholder loan.

On March 22, 2024, Western announced it had signed a definitive agreement in which Tevir Capital Corp. ("TCC"), will invest at least $20 million in the Corporation through the purchase of 50 million multiple voting shares from treasury. The multiple voting shares will provide for ten votes per share. The intention is to transform Western into a property and casualty insurance and investment holding company. Completion of this transaction is subject to the approval of the TSX Venture Exchange, shareholder approval and various other conditions, including the acquisition of at least 51% of Fortress. The terms of this transaction also provide for a potential additional $3 million in equity investment (for a total of $23 million), the plan to undertake a rights offering to existing eligible Western shareholders, and for a number of other corporate transactions such as the implementation of management contracts with TCC.

On March 26, 2024, Western announced it had entered into a share purchase agreement to acquire one million shares of Fortress for $2.6 million, payable in either cash or common shares of Western using a fixed value of $0.40 per share. The agreement is dependent on a number of conditions including the closing of TCC transaction discussed above. After the acquisition of these shares, Western will own 43% of Fortress. Western is exploring ways to obtain additional ownership of Fortress. Should it succeed in obtaining greater than 50%, which is a condition of the TCC transaction, Western will acquire control of the company, and Fortress will cease to be an associate and Fortress' results will thereafter be consolidated in the Corporations financial statements.

On March 28, 2024, the board of directors at GlassMasters set the rate on the GlassMasters promissory note receivable at 14% for the 2024 fiscal year.

On March 31, 2024, debentures with a face value of $1,125,000 matured and were repaid.

On April 1, 2024, in line with the mortgage renewal that occurred at Golden, the interest rate on Golden's shareholder loan increased to 6.09%.