The Western Investment Company of Canada Limited

Interim Financial Statements
(Unaudited)
September 30, 2016

The Western Investment Company of Canada Limited

Statement of Financial Position
(Unaudited)

	As at September 30, 2016 $	As at December 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	4,260,105	476,875
Accounts receivable	19,200	-
Total assets	4,279,305	476,875
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	27,317	43,815
Total liabilities	27,317	43,815
Shareholders' Equity		
Share capital (note 6)	4,140,502	468,000
Contributed surplus – share based compensation (note 6)	981,822	-
Deficit	(870,336)	(34,940)
Total equity attributable to common shareholders	4,251,988	433,060
Total liabilities and equity attributable to common shareholders	4,279,305	476,875

Approved by the Board of Directors

"Scott Tannas" Director   "Richard Moore" Director

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

The Western Investment Company of Canada Limited

Statement of Comprehensive Loss
(Unaudited)

	For the three months ended September 30, 2016 $	For the nine months ended September 30, 2016 $
Expenses		
Legal	14,380	88,952
Regulatory	3,497	17,485
Other expenses	8,842	26,871
Accounting	9,822	24,336
Consulting	-	2,520
Qualifying transaction (note 11)	56,500	56,500
Other expense (income) (note 11)	(19,200)	(19,200)
Share-based compensation expense (note 6)	-	637,932
Net loss and comprehensive loss for the period	73,841	835,396
Net loss per share		
Basic	($0.01)	($0.09)
Diluted	($0.01)	($0.09)
Weighted average number of shares outstanding		
Basic	11,000,000	9,219,780
Diluted	12,680,667	9,219,780

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

The Western Investment Company of Canada Limited

Statement of Changes in Equity

(Unaudited)

For the period from December 31, 2015 to September 30, 2016

	Number of shares	Share capital $	Contributed surplus $	Deficit $	Total $
Balance – December 31, 2015	2,000,000	468,000	-	(34,940)	433,060
			-		
Issuance of common shares	9,000,000	4,500,000	-	-	4,500,000
Deferred share issuance costs	-	(827,498)	-	-	(827,498)
Issuance of share based compensation	-	-	981,822	-	981,822
Net loss and comprehensive loss for the period	-	-	-	(835,396)	(835,396)
Balance – September 30, 2016	11,000,000	4,140,502	981,822	(870,336)	4,251,988

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

The Western Investment Company of Canada Limited

Statement of Cash Flows
(Unaudited)

	For the three months ended September 30, 2016 $	For the nine months ended September 30, 2016 $
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the period	(73,841)	(835,396)
Movement in working capital	(32,143)	(35,698)
Share based compensation expense	-	637,932
Cash used in operating activities	(105,984)	(233,162)
Financing activities		
Proceeds from issuance of shares (note 6)	-	4,500,000
Share issuance costs	-	(483,608)
Cash provided by financing activities	-	4,016,392
(Decrease) increase in cash and cash equivalents	(105,984)	3,783,230
Cash and cash equivalents – Beginning of period	4,366,089	476,875
Cash and cash equivalents – End of period	4,260,105	4,260,105
Supplemental information		
Income taxes paid		-
Interest paid		-

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

1 Incorporation

The Western Investment Company of Canada Limited (the "Corporation") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 28, 2015 ("Incorporation"). The Corporation is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") and has not commenced commercial operations.

2 Nature of operations and continuance of operations

On February 24, 2016, The Western Investment Company of Canada Limited completed its initial public offering and the shares have been listed on the TSX Venture Exchange Inc. and began trading on February 24, 2016 under the stock symbol WI.P.

The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a qualifying transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

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.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

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

These unaudited interim financial statements of the Corporation for the nine month period ended September 30, 2016 (the "interim financial statements") were authorized for issue in accordance with a resolution of the Board of Directors on October 31, 2016.

3 Basis of preparation

Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies applied in these interim financial statements are the same as those applied in the Corporation's financial statements for the year ended December 31, 2015, except as described in the notes to the interim financial statements. The interim financial statements should be read in conjunction with the financial statements for the period ended December 31, 2015.

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.

4 Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of proceeds generated from the issuance of common shares. All proceeds are held with a major Canadian bank.

Use of estimates and judgements

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

Areas that could be more significantly impacted by estimates and judgements include deferred taxes, fair value of assets and liabilities, share based payments and the issuance of initial share capital.

Stock-based compensation

The Corporation has a stock option plan in accordance with the policies of the 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.

Issuance of initial share capital

The application of the Corporation's accounting policy for share capital required judgment in relation to the issuance of the initial share capital to determine whether it was within the scope of IFRS 2, *Share-based Payment,* as the initial shares were issued at $0.25 per common share, with subsequent shares to be issued at $0.50 per common share. The Corporation determined that no related compensation expense was required to be recorded as the shares from the initial issuance are restricted and held in escrow for a period of up to three years, so $0.25 was assessed as their fair value.

Current income tax

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

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. 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 profits 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 profit nor the accounting profit.

Earnings per share

Basic net earnings per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net earnings per share is calculated giving effect to the potential dilution that would occur if stock options to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price.

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 upon 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 on the statement of financial position. The Corporation measures financial instruments in subsequent periods depending on how the instrument has been classified. Financial instruments classified as held to maturity, loans and receivables and other financial liabilities are measured initially at fair value, and subsequently at amortized cost using the effective interest rate method. Cash and cash equivalents and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. Transaction costs are included in the initial measurement of the financial instrument.

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.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

An impairment of loans and receivables carried at amortized cost is recognized in earnings when the asset’s carrying amount exceeds the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. A reduction in an impairment charge may be recognized if the decrease is related objectively to an event occurring after the impairment was recognized.

Where an impairment charge is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount which does not exceed the carrying amount had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings.

Recent accounting pronouncements

IFRS 16, Leases

In January, 2016, the IASB issued IFRS 16, "Leases", which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting the standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers replacing IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of the standard on its financial statements.

IFRS 9, Financial Instruments

IFRS 9 is the new standard on classification, measurement and impairment of financial assets and liabilities that will replace IAS 39, "Financial Instruments: Recognition and Measurements". The latest version of IFRS 9 was issued in July, 2014. The package of improvements introduced by IFRS 9 includes a revised model for classification and measurement based on business model and cash flow tests, a single, forward-looking 'expected loss' impairment model and a substantially revised risk based approach to hedge accounting. IFRS 9 is mandatorily effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of the standard on its financial statements.

5 Cash and cash equivalents

The proceeds raised from the issuance of common shares may only be used to identify and evaluate companies, assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds realized or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation.

These restrictions may apply until completion of a qualifying transaction by the Corporation as defined under the policies of the Exchange.

6 Share capital

a) Authorized

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

b) Issued

On February 24, 2016, the Corporation completed its initial public offering (the "Offering") raising gross proceeds of $4,500,000, pursuant to a financial prospectus dated January 29, 2016. A total of 9,000,000 common shares in the capital of the Corporation were subscribed for at a price of $0.50 per share. The Agent received a cash commission equal to 10% of the gross proceeds of the Offering, a corporate financing fee of $15,000 and an option to purchase up to 900,000 shares at a price of $0.50 per share for a period of two years.

As of September 30, 2016, the Corporation has 11,000,000 shares issued and outstanding (December 31, 2015 – 2,000,000 shares issued and outstanding), with the directors, officers and seed shareholders of the Corporation, in aggregate, holding 2,000,000 shares which are subject to escrow restrictions. There were no preferred shares issued during the period.

Escrow

The 2,000,000 initially issued and outstanding common shares have been deposited in escrow pursuant to the terms of an escrow agreement. These common shares will be released from escrow in stages over a period of three years after the date of the Final Exchange Bulletin, which is issued following closing of the qualifying transaction and the submission of all required documentation evidencing the final Exchange acceptance of the qualifying transaction.

c) Stock option plan

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

In connection with the Offering, the Corporation granted 960,000 incentive stock options to its directors and officers which are exercisable for a period of ten years from the date of the grant at an exercise price of $0.50 per share. The Corporation also granted the Agent an option to purchase up to 900,000 shares at a price of $0.50 per share for a period of two years. With the addition of a new Director on April 6, 2016, 140,000 incentive stock options were granted at an exercise price of $0.56 per share and which are exercisable for a period of 10 years from the date of grant. For the three and nine month periods ended September 30, 2016, shares issuable under the Corporation's stock option plan have been excluded from diluted earnings per share as the effect is anti-dilutive.

During the three and nine month periods ended September 30, 2016, share based compensation expense of $nil and $637,932 respectively was recorded for the stock options granted to directors and officers. For the three and nine month periods ended September 30, 2016, share based compensation expense of $nil and $343,890 was charged directly to share capital as a share issuance cost for the options granted to the agent. Amounts were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	0.49% – 1.41%
Expected life of stock option	2 – 10 years
Volatility	70%
Dividends	-

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

The following stock options were outstanding as of September 30, 2016:

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	960,000	9.5	0.25
February 24, 2018 – agent options	0.50	900,000	1.5	0.25
April 6, 2026	0.56	140,000	9.5	0.25

7 Income taxes

a) Income tax expense

	$
Loss before income taxes	(835,396)
Income tax rate	27%
Expected income tax recovery	(225,556)
Tax benefits of current losses not recognized	225,556
Income tax	-

b) Deferred income taxes

At September 30, 2016, the Corporation's unrecognized deferred tax asset is as follows:

	$
Amounts related to non-capital losses	225,556
Unrecognized deferred tax asset	225,556

No deferred taxes have been recognized in relation to the Corporation's share issuance costs.

8 Capital management

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a purchase of assets or a business with a view to completing a qualifying transaction.

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 at period end, except for common shares held in escrow pursuant to the terms of an escrow agreement (note 6).

9 Financial instruments

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

Fair value

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

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of accounts receivable and accounts payable and accrued liabilities approximate its fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Due to the nature of cash being held with a major Canadian bank and the accounts receivable being due from a creditworthy counterparty, the Corporation believes it has no significant credit risk.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Corporation had a cash balance of $4,260,105 (December 31, 2015 – $476,875). All of the Corporation's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

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

The Corporation has cash balances that bear no interest.

b) Foreign currency risk

The Corporation does not have assets or liabilities denominated in a foreign currency.

10 Related party transactions

Key management of the Corporation includes the Corporation's directors and officers. During the period ended September 30, 2016, there has been no compensation paid or payable to key management of the Corporation, other than share compensation awarded to Directors as disclosed in note 6.

11 Qualifying transaction

As of September 22, 2016, the Corporation, along with reputable minority equity partners ("Partners") have signed a letter of intent to purchase a private Alberta based company that is expected to be the qualifying transaction for the Corporation ("Transaction").

As of September 30, 2016, $56,500 of expenses have been recorded of which $19,200 is recoverable from the Partners in relation to the Transaction.

The Corporation will disclose details of the Transaction once an agreement has been finalized and conditions have been met including:

i) approval of the Transaction by the TSX Venture Exchange;

ii) approval of the Transaction by the Corporation's Board of Directors and its Partners;

iii) completion of the financing conditions; and

iv) satisfactory completion of due diligence.

In the event a final agreement is not reached, the Corporation will notify shareholders.