The Western Investment Company of Canada Limited

Consolidated Interim Financial Statements
(Unaudited)
June 30, 2018

Notice of no Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of The Western Investment Company of Canada Limited for the interim reporting period ended June 30, 2018, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

The Corporation's independent auditors, PricewaterhouseCoopers LLP, have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Financial Position
(Unaudited)

	As at June 30, 2018 $	As at December 31, 2017 $
Assets		
Current assets		
Cash	789	2,130,300
Cash held in trust	-	8,550,000
Accounts receivable	9,150	12,087
Due from related parties (note 11)	102,786	75,173
Prepaids	7,369	9,320
	120,094	10,776,880
Long-term assets		
Due from associate (note 11)	27,423	-
Investment in associates (note 4)	16,398,718	9,271,144
	16,426,141	9,271,144
Total assets	16,546,235	20,048,024
Liabilities		
Current liabilities		
Operating loan (note 5)	1,417,840	-
Accounts payable and accrued liabilities	147,320	277,268
Current portion of bank loan (note 6)	-	510,000
	1,565,160	787,268
Bank loan (note 6)	-	4,540,000
Total liabilities	1,565,160	5,327,268
Shareholders' Equity		
Share capital (note 7)	15,903,859	15,737,376
Contributed surplus (note 7)	1,037,049	1,036,546
Deficit	(1,959,833)	(2,053,166)
Total equity attributable to common shareholders	14,981,075	14,720,756
Total liabilities and equity attributable to common shareholders	16,546,235	20,048,024

Approved by the Board of Directors

"Scott Tannas" Director "Jim Dinning" Director

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

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Comprehensive Income (Loss)
(Unaudited)

	For the three months ended June 30, 2018 $	For the three months ended June 30, 2017 $	For the six months ended June 30, 2018 $	For the six months ended June 30, 2017 $
Income				
Income from equity investments (note 4)	311,174	327,496	526,575	338,769
Dividends from equity investments (note 11)	-	-	27,423	-
Interest income	13	18,816	2,415	18,816
Management fees (note 11)	62,500	25,000	112,500	50,000
	373,687	371,312	668,913	407,585
Expenses				
Legal	44,877	15,134	94,622	27,067
Accounting	42,235	11,933	64,735	54,283
Regulatory	28,433	25,352	40,489	45,401
Consulting	4,200	91,303	21,629	104,867
Other	19,755	20,567	41,760	57,039
Management and directors' compensation	95,797	-	289,805	-
Interest on operating loan	16,867	-	22,540	-
Share-based compensation expense (note 7)	-	70,764	-	70,764
	252,164	235,053	575,580	359,421
Net income and comprehensive income for the period	121,523	136,259	93,333	48,164
Net income per share				
Basic and diluted	0.004	0.004	0.003	0.002
Weighted average number of shares outstanding				
Basic	30,703,756	30,550,256	30,575,767	25,060,880
Diluted	30,703,756	30,943,907	30,575,767	25,509,496

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

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Changes in Equity
(Unaudited)

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Deficit $	Total $
Balance – December 31, 2017	30,317,756	15,737,376	-	1,036,546	(2,053,166)	14,720,756
Issuance of common shares	400,000	176,000	-	-	-	176,000
Deferred share issuance costs	-	(2,250)		-	-	(2,250)
Share repurchases	(14,000)	(7,267)	-	503	-	(6,764)
Net income and comprehensive income for the period	-	-	-	-	93,333	93,333
Balance – June 30, 2018	30,703,756	15,903,859	-	1,037,049	(1,959,833)	14,981,075

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Deficit $	Total $
Balance – December 31, 2016	11,443,006	4,428,456	-	981,822	(1,618,769)	3,791,509
Issuance of common shares	19,107,250	12,419,713	-	-	-	12,419,713
Deferred share issuance costs	-	(990,993)	-	-	-	(990,993)
Share repurchases	-	-	(5,325)	-	-	(5,325)
Issuance of share based compensation	-	-	-	70,764	-	70,764
Net income and comprehensive income for the period	-	-	-	-	48,164	48,164
Balance – June 30, 2017	30,550,256	15,857,176	(5,325)	1,052,586	(1,570,605)	15,333,832

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

The Western Investment Company of Canada Limited

Consolidated Interim Statement of Cash Flows

(Unaudited)

	For the six months ended June 30, 2018 $	For the six months ended June 30, 2017 $
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the period	93,333	48,164
Net change in working capital	(2,672)	(9,517)
Adjustments for non-cash items		
Income from equity investment (note 4)	(526,575)	(338,769)
Share-based compensation expense	-	70,764
Cash used in operating activities	(435,914)	(229,358)
Investing activities		
Purchase of investment in associates (note 4)	(3,075,000)	-
Advances to associate (note 11)	(27,423)	-
Cash used in investing activities	(3,102,423)	-
Financing activities		
Advances on operating loan	1,417,840	-
Proceeds from issuance of shares (note 7)	-	12,419,713
Share issuance costs	(2,250)	(990,994)
Repurchase of shares	(6,764)	(5,325)
Cash provided by financing activities	1,408,826	11,423,394
(Decrease) increase in cash and cash equivalents	(2,129,511)	11,194,036
Cash – Beginning of period	2,130,300	45,067
Cash – End of period	789	11,239,103
Supplemental information		
Income taxes paid	-	-
Interest paid	16,867	-

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 provision of the Business Corporations Act (Alberta) on October 28, 2015 ("Incorporation"). The Corporation was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"), until the Corporation completed its qualifying transaction on December 16, 2016 (note 2). The Corporation's common shares began trading on December 20, 2016 and are listed on the TSX Venture under the stock symbol WI.

2 Nature of operations and continuance of operations

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

These unaudited condensed consolidated interim financial statements ("interim financial statements") of the Corporation for the period ended June 30, 2018 were approved and authorized for issuance by the Corporation's Board of Directors on August 17, 2018.

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 aligns with the industry expertise of the Board of Directors and include: (i) financial services and insurance; (ii) retail and distribution; (iii) human services; (iv) agriculture and related services; and (v) special situations. Western's ideal acquisition enterprise value is between $10 million to $100 million and it will consider equity ownership between 25% to 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 may be dependent on the ability of the Corporation to obtain additional financing.

GlassMasters – Equity Investment

On December 16, 2016, the Corporation closed its qualifying transaction with the purchase of a 50.1% interest in GlassMasters ARG Autoglass Three Inc., which owns 100% of GlassMasters ARG Autoglass Two Inc. As of January 1, 2017, GlassMasters ARG Autoglass Three Inc. was amalgamated with GlassMasters ARG Autoglass Two Inc. resulting in one legal entity GlassMasters ARG Autoglass Two Inc. ("GlassMasters").

GlassMasters is an automotive glass service company providing repair and replacement of windshields, side windows, side mirrors, rear windows and sun roofs ("Service Division") and an automotive glass warehouse that imports to sell wholesale a full line of quality aftermarket glass parts and materials at competitive prices ("Wholesale Division"). GlassMasters' current principal markets are the Calgary, Edmonton, Red Deer and Saskatoon regions.

The Service Division sells to retail and account based customers. Account based customers are comprised of dealerships, auto-body shops, fleet companies and car rental companies. Services are provided at nine retail locations as well as by 22 mobile repair and installation units. The majority of the Wholesale Division's sales are to the Service Division from its two locations in Calgary and Edmonton. The remaining balance of the Wholesale Division's sales are to other retailers in Alberta.

Golden Healthcare – Equity Investment

On September 1, 2017, the Corporation obtained a 30% equity investment in three Saskatchewan senior care homes (including 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. All the homes operate under the Golden Health Care banner that includes 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. All homes in our portfolio have been operating at or near 100% occupancy rates with significant waiting lists.

Ocean Sales Group Ltd – Equity Investment

On November 22, 2017, Western incorporated Ocean Sales Group Ltd. ("Ocean") as a wholly owned subsidiary for the purposes of acquiring the Ocean Sales group of companies. At December 31, 2017, Ocean was 100% owned by Western and as such its statement of financial position and results of operations for the period ended December 31, 2017 were included in the consolidated financial statements. On January 1, 2018, Ocean completed the acquisition of the Ocean Sales group of companies, partnering with its founders who obtained a 25% interest in Ocean.

The Ocean Sales group of companies is a specialty retailer that imports and sells a line of specialty retail products through unique marketing channels across North America.

Foothills Creamery Ltd. – Equity Investment

On February 28, 2018, Western acquired a 50.4% interest in Foothills Creamery Ltd. ("Foothills"). Foothills is a producer and distributor of high quality butter and ice cream products with almost 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, BC.

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 consolidated financial statements for the year ended December 31, 2017, except as described in the notes to the interim financial statements. The interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

The interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the CPA Canada for a review of interim financial statements by the entity's auditor.

Changes to significant accounting policies

IFRS 9, Financial Instruments

Adoption

The Corporation adopted IFRS 9, "Financial Instruments" ("IFRS 9") effective January 1, 2018 which replaced IAS 9, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard was applied retrospectively with comparative figures not being restated, in accordance with transitional provisions. The adoption of IFRS 9 did not have a material impact on the Corporation's consolidated financial statements.

Transition

On January 1, 2018, the Corporation determined the appropriate classification category and measurement for each of its financial assets and financial liabilities under IFRS 9 and compared each to their original classification and measurement under IAS 39. Under IFRS 9, financial instruments are classified as amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss. No adjustments were made to the carrying amounts of the financial instruments as a result of the adoption of IFRS 9.

Classification of financial assets and financial liabilities

The Corporation's cash and cash equivalents, accounts receivable, amounts due from related party, and due from associate, were classified as loans and receivables measured at amortized cost under IAS 39 and are classified as measured at amortized cost under IFRS 9. The Corporation's operating loan and accounts payable and accrued liabilities, previously classified as financial liabilities measured at amortized cost under IAS 39, are all classified at amortized cost under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

The ECL model applies to the Corporation's receivables. As at June 30, 2018, substantially all of the Corporation's receivables were due from related parties and associates with no material credit losses and as such no expected credit loss was recognized.

IFRS 15, Revenue from Contracts with Customers

Adoption

The Corporation adopted IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") effective January 1, 2018, which replaced IAS 11, "Construction Contracts", IAS 18 "Revenue", and several revenue-related interpretations. The standard was applied using the modified retrospective with cumulative effect approach. The adoption of IFRS 15 did not materially impact the timing or measurement of revenue.

Revenue recognition

The Corporation's revenue includes management fees earned from its associates. Revenue is recognized when the Corporation has satisfied its performance obligations, which occurs evenly over the term of the contract. The Corporation's revenue transactions do not include any financing components. The Corporation does not have any long-term contracts with unfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

Basis of measurement

These interim 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.

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.

4 Investment in associates

The investment in associates balance consists of:

	June 30, 2018 $	December 31, 2017 $
Western's interest in Foothills Creamery Ltd.	3,363,939	-
Western's interest in Ocean Sales Group Ltd.	3,364,786	-
Western's interests in Golden Healthcare group of companies	5,078,902	4,975,548
Western's interest in GlassMasters ARG Autoglass Two Inc.	4,591,091	4,295,596
	16,398,718	9,271,144

a) Nature of investments in associates

Glass Masters ARG Autoglass Two Inc.

The Corporation holds a 50.1% interest in GlassMasters through its ownership of 4,010,000 common shares. It has two of seven 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.

As part of the Corporation's qualifying transaction, under the terms of its asset purchase agreement, GlassMasters has agreed to pay contingent consideration to the vendor under certain circumstances. The consideration consists of payments by GlassMasters for performance conditions, including: gross profit generated over the next 4 years (up to a maximum of $0.75 million) and expansion valuation premium payments ($200,000 per location), subject to minimum gross profit targets being achieved. The estimated fair value of this contingent consideration payable recognized by GlassMasters (100%) is $1,033,391 (December 31, 2017 – $1,033,391), which was estimated using probability-weighted discounted future cash flows.

Under the terms of GlassMasters' credit facilities, shares in GlassMasters (100%) have been pledged as collateral from the owners of the shares, including the Corporation, and certain financial covenants have been placed on GlassMasters ability to provide distributions to its equity investors, including the Corporation.

Golden Healthcare group of companies

On September 1, 2017, the Corporation completed the acquisition of its investment in Golden. Western appoints two of nine members of the board of directors of Golden Healthcare 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 investments in Golden and accordingly, the Corporation is using the equity method to account for the Golden investment.

The purchase price for the acquisition transaction was $4,940,762. On acquisition, the Corporation recognized a fair value adjustment on Western's share of the land and building held of $2,519,639. The fair value adjustment related to the building will be amortized over its useful life against the Corporation's equity income earned from Golden.

One of the senior care homes that Western invested in, The Good Shepherd Villas Inc. had preferred shares issued and outstanding at the date of acquisition. Western's investment in this entity included 30% of these preferred shares valued at $249,300. The preferred shares carry voting rights, pay cumulative dividends at 11% and are redeemable and retractable, by the holders of the shares, at the original issue price of $1.00 per share and have been recorded in Western's investment in associates at their fair value as at June 30, 2018. During the six month period ended June 30, 2018, dividends of $27,423 were declared on these shares.

Ocean Sales Group Ltd.

On January 1, 2018, the Corporation's subsidiary, Ocean, completed the acquisition of the Ocean Sales group of companies. The vendors purchased a 25% interest in Ocean, reducing the Corporation's interest in Ocean to 75%. Subsequent to the acquisition, Western appoints two of five members of the board of directors, and as such has the ability to exercise significant influence over Ocean but not control and accordingly, effective January 1, 2018 the Corporation is using the equity method to account for this investment. The financial statements of the Corporation for the period ended June 30, 2018 no longer contain the consolidated assets, liabilities and results of operation of Ocean. Additional information is presented in note 8 regarding the non-cash affect this loss of control has on the financial statements.

Western's total equity investment in Ocean was $3.450 million. The total purchase price of the acquisition was $9.5 million, funded through equity and term debt held in Ocean.

Foothills Creamery Ltd.

On February 28, 2018 the Corporation completed the acquisition of a 50.4% interest in Foothills Creamery Ltd. for a total equity investment of $3.251 million. Western's equity investment was paid with $3.075 million in cash and the issuance of 400,000 common shares of Western with a market value of $0.44 per share. Western appoints two of five members of the board of directors, and as such has the ability to exercise significant influence over Foothills but not control and accordingly the Corporation is using the equity method to account for this investment.

Under the terms of its asset purchase agreement, Foothills has agreed to pay contingent consideration to the vendor under certain circumstances. The consideration consists of payments by Foothills for performance conditions, involving normalized earnings before interest, tax and depreciation, generated over the next 4 years (up to a maximum of $3.5 million). The estimated fair value of this contingent consideration payable recognized by Foothills (100%) is $2,250,000 based on an estimate using probability-weighted discounted future cash flows.

b) Summarized financial information for investees

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

Summarized financial information as at June 30, 2018 and for the six months then ended

	GlassMasters $	Golden $	Ocean $	Foothills(1) $
Current assets	6,692,332	1,759,599	7,907,952	11,319,794
Non-current assets	14,961,679	19,326,261	5,302,378	19,953,210
Current liabilities	5,138,348	1,648,533	4,477,047	7,013,931
Non-current liabilities	7,344,320	11,713,511	4,161,072	17,508,989
Net assets	9,171,343	7,723,816	4,572,211	6,750,084
Revenue	10,105,074	4,288,490	10,685,238	13,950,288
Net income and comprehensive income	590,282	340,776	19,717	224,084

(1)Foothills summarized revenue and income financial information presented for the period since the acquisition date of February 28, 2018 to June 30, 2018.

Summarized financial information as at December 31, 2017 and for the year then ended

	GlassMasters $	Golden(1) $
Current assets	4,448,880	1,332,226
Non-current assets	14,833,631	19,595,402
Current liabilities	2,613,770	1,411,437
Non-current liabilities	8,087,846	12,133,150
Net assets	8,580,895	7,383,041
Revenue	19,052,752	2,724,128
Net income and comprehensive income	1,020,592	115,724

(1) Golden summarized revenue and income financial information presented for the period since the acquisition date of September 1, 2017 to December 31, 2017.

Summarized financial information as at acquisition date

	Ocean January 1, 2018 $	Foothills February 28, 2018 $
Current assets	6,230,086	10,217,730
Non-current assets	5,361,770	21,385,465
Current liabilities	2,551,857	7,568,206
Non-current liabilities	4,540,000	17,508,989
Net assets	4,499,999	6,526,000

c) Reconciliation of investments in associates carrying value

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

Reconciliation of the carrying value for the six months ending June 30, 2018:

	GlassMasters $	Golden $	Ocean $	Foothills $
Western ownership interest	50.1%	25.0% – 30.0%	75.0%	50.4%
Share of net assets as of December 31, 2017	4,295,596	4,975,548	3,349,999[(1)]	3,251,000[(2)]
Share of comprehensive income	295,495	103,354	14,787	112,939[(3)]
Investment in associates as of June 30, 2018	4,591,091	5,078,902	3,364,786	3,363,939

(1)Western's share of Ocean's net assets presented as at the acquisition date of January 1, 2018.

(2)Western's share of Foothill's net assets presented as at the acquisition date of February 28, 2018.

(3)Western's share of Foothill's comprehensive income presented for the period since the acquisition date of February 28, 2018 to June 30, 2018

Reconciliation of the carrying value for the year ended December 31, 2017:

	GlassMasters $	Golden $
Western ownership interest	50.1%	25% – 30%
Share of net assets as of December 31, 2016	3,787,870	2,168,162(1)
Goodwill adjustment on acquisition	-	2,772,599
Share of comprehensive income	507,726	34,787(2)
Investment in associate as of December 31, 2017	4,295,596	4,975,548

(1)Western's share of Golden's net assets presented as at the acquisition date of September 1, 2017.

(2)Western's share of Golden's comprehensive income presented for the period since the acquisition date of September 1, 2017 to December 31, 2017.

5 Operating loan

On February 20, 2018, the Corporation entered into a new demand revolving operating loan facility agreement with a Canadian financial institution ('the facility") to the amount of $1,500,000, with an additional $500,000 added subsequently on the delivery of various share pledges bringing the maximum facility to $2,000,000. The facility bears interest at the bank's prime rate plus 2% per annum and carries a standby fee of 0.2% per annum on the unused portion. The facility was obtained firstly to be used toward the purchase price of Foothills Creamery Ltd., and secondly towards general corporate operating purposes. Security for the facility includes:

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

b) share pledge agreement in respect to the Corporation's interest in its subsidiaries;

c) assignment of material contracts; and

d) continuing guarantee from any material wholly-owned subsidiaries of the Corporation.

As at June 30, 2018, $1,417,840 was drawn on the facility.

6 Bank loan

On December 28, 2017, Ocean obtained a $5.1 million fixed term loan from a major Canadian lender. The loan bore interest at the bank's prime rate plus 1.5% per annum with interest only payable for the first four months. As at December 31, 2017, Ocean was a wholly owned subsidiary of Western and thus the consolidated financial statements as at December 31, 2017 included the financial position and results of operations of Ocean. The loan was obtained to be used for the acquisition of the Ocean Sales Group of companies that occurred on January 1, 2018. At December 31, 2017, this $5.1 million loan less $50,000 in deferred financing costs was included in the consolidated balance sheet of Western.

Effective January 1, 2018, in accordance with the acquisition of the Ocean Sales group of company, Western no longer had control of Ocean. As such, for the period ended June 30, 2018 and as described in note 2, Ocean is now accounted for under the equity method of accounting. In accordance with this change of control this bank debt, and all net assets of Ocean, are no longer reported on the consolidated balance sheet of Western.

7 Share capital

Authorized

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

Issued

During the six months ended June 30, 2018, 400,000 common shares were issued pursuant to the Corporation's acquisition of Foothills at a market price of $0.44 per share at the time of issue (June 30, 2017 – 19,107,250 at $0.65 per share pursuant to the Corporation's short form prospectus). There were no preferred shares issued during the period. The following is a summary of the share capital issued at period-end.

	Number of shares	Amount $
Balance – December 31, 2016	11,443,006	4,428,456
Issuance of common shares	19,115,250	12,424,753
Deferred share issuance costs	-	(990,993)
Share repurchase	(240,500)	(124,840)
Balance – December 31, 2017	30,317,756	15,737,376
Issuance of common shares	400,000	176,000
Deferred share issuance costs	-	(2,250)
Share repurchase	(14,000)	(7,267)
Balance – June 30, 2018	30,703,756	15,903,859

Escrow

All shares issued prior to the initial public offering, totaling 2,139,000 common shares, were deposited in escrow pursuant to the terms of two escrow agreements. These common shares are being released from escrow in stages over a period of 18 months after the date of the Final Exchange Bulletin dated December 16, 2016, pursuant to the Corporation's qualifying transaction. Twenty-five percent of the shares (534,750) have been released from escrow on each of December 19, 2016, June 19, 2017, December 19, 2017, and June 16, 2018. All shares have been released from escrow as of June 30, 2018.

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 the six months ended June 30, 2018, no stock options have been issued (June 30, 2017 – 210,000 options at a fair value of $70,764). For the six months ended June 30, 2018 and June 30, 2017, shares issuable under the Corporation's stock option plan have been excluded from diluted earnings per share as the effect is anti-dilutive. On February 24, 2018, 900,000 agent options expired, and on February 6, 2018, 90 days after the resignation of a director, 200,000 options were forfeited. Subsequent to June 30, 2018 320,000 options were issued at a fair value of $74,112.

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

Risk free interest rate	0.47% – 1.52%
Vesting period	nil
Expected life of stock option	2 – 10 years
Volatility	50% – 70%
Dividends	-

The following stock options were outstanding as of June 30, 2018:

Expiry date	Exercise price $	Number of options	Remaining contractual life (years)	Fair value of options $
February 24, 2026	0.50	790,000	7.66	0.5981
April 6, 2026	0.56	140,000	7.77	0.4554
April 21, 2027	0.65	30,000	8.81	0.3914
June 19, 2027	0.65	150,000	8.98	0.3279

Share repurchase

As of May 23, 2017, the Corporation obtained regulatory approval to proceed with 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 ("Common Shares") representing approximately 4.9% of the 30,703,756 Common Shares currently issued and outstanding.

The Bid commenced on May 23, 2017 for a one year term and was renewed for another year on June 5, 2018. All acquisitions of Common Shares by the Corporation pursuant to the Bid will be made through the facilities of the Exchange at the market price of the Common Shares at the time of the acquisition.

For the six months ended June 30, 2018 14,000 common shares were repurchased at a total price of $6,764 (six months ended June 30, 2018, 9,500 common shares were repurchased at a total price of $5,325). 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. The difference between the issued price and the repurchase price of the shares repurchased is recorded as a reduction to contributed surplus.

8 Supplementary cash flow information

a) During the six-month period ended June 30, 2018, the Corporation issued 400,000 common shares with a value of $176,000 relating to non-cash consideration for the acquisition of Foothills.

b) The net change in non-cash balances related to the loss of control of Ocean subsequent to December 31, 2017:

	$
Cash held in trust	(8,550,000)
Accounts receivable	100,600
Investment in associates	3,450,000
Accounts payable and accrued liabilities	49,401
Long-term debt	5,100,000
Deferred financing costs	(50,000)

9 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 Western's expenses and to identify, evaluate and execute acquisitions of private businesses that meet Western's 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 at June 30, 2018.

10 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, cash held in trust, accounts receivable, due from related parties, due from associate, operating loan 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 cash, cash held in trust, accounts receivable, due from related parties, operating loan 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 in trust with legal counsel or at a major Canadian bank and the receivable amounts being due from a credit worthy related parties, the Corporation believes it has no significant credit risk.

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

	June 30, 2018 $	December 31, 2017 $
Cash	789	2,130,300
Cash held in trust	-	8,550,000
Accounts receivables	9,150	12,087
Due from related parties	102,786	75,173
Due from associate	27,423	-
	140,148	10,767,560

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meets 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 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 by obtaining an operating loan during the period (note 5). The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. As at June 30, 2018 contractual obligations were as follows:

	June 30, 2018 $	December 31, 2017 $
Operating line of credit	1,417,840	-
Accounts payable and accrued liabilities	147,320	277,268
Current portion of long-term debt	-	510,000
Long-term debt	-	4,540,000
	1,565,160	5,327,268

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, obtained a demand loan with variable interest rate on Feb 25, 2018. As at June 30, 2018 assuming all variables are held constant and at the period-end balance, a change in the interest rate by 1% would result in an increase/decrease to the Company's net income (loss) before tax of $14,664 (December 31, 2017 – $nil).

b) Foreign currency risk

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

11 Related party transactions

In accordance with the terms of a management fee agreement, Western earns an annual management fee from each of GlassMasters and Foothills of $75,000, and from Ocean of $100,000, payable on a quarterly basis. As at June 30, 2018, $91,875 is due from associates for management fees (December 31, 2017 – $26,250). Also included in amounts due from related parties is $10,911 (December 31, 2017 – $nil) due from associates related to expense reimbursements. At December 31, 2017, $48,923 was due from the vendors of the Golden shares for the working capital adjustment related to the September 1, 2017 acquisition. Non-current amounts of $27,423 in dividends receivable that the Corporation does not expect to collect in the next twelve months (December 31, 2017 – $nil) have been recorded as due from associate.

Key management of Western includes the Corporation's executives and directors. During the six months ended June 30, 2018, $209,750 was paid or payable to members of management (June 30, 2017 – $24,000) and $69,000 was paid to directors as part of the Corporation's time and expense policy (June 30, 2017 – $nil).