The Western Investment Company of Canada Limited

Condensed Interim Financial Statements
(Unaudited)
September 30, 2022

Notice of no Auditor Review of Condensed 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 interim financial statements of The Western Investment Company of Canada Limited for the interim reporting period ended September 30, 2022 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 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

Condensed Interim Statement of Financial Position

(Unaudited)

	As at September 30, 2022 $	As at December 31, 2021 restated (note 4) $	As at January 1, 2021 restated (note 4) $
Assets			
Current assets			
Cash	25,717	23,318	365,897
Due from related parties (note 13)	39,813	22,223	45,937
Prepaids	11,315	5,797	6,105
	76,845	51,338	417,939
Due from related parties (note 13)	694,436	765,432	788,200
Investment in associates (note 5)	18,272,261	18,480,880	17,578,846
Total assets	19,043,542	19,297,650	18,784,985
Liabilities			
Current liabilities			
Operating loan (note 6)	836,685	1,014,292	776,791
Accounts payable and accrued liabilities	123,164	144,742	145,993
	959,849	1,159,034	922,784
Loan from related party (note 7)	1,200,000	1,200,000	1,200,000
Convertible debentures (note 8)	3,537,054	3,419,991	3,195,446
Total liabilities	5,696,903	5,779,025	5,318,230
Shareholders' Equity			
Share capital (note 9)	15,688,381	15,714,798	15,777,991
Treasury shares (note 9)	-	-	(1,823)
Contributed surplus (note 9)	1,477,805	1,418,468	1,328,857
Equity component of convertible debentures (note 8)	793,815	793,815	793,815
Accumulated other comprehensive income	155,077	15,167	11,505
Deficit	(4,616,925)	(4,423,623)	(4,443,590)
Cumulative dividends (note 11)	(151,514)	-	-
Total equity attributable to common shareholders	13,346,639	13,518,625	13,466,755
Total liabilities and equity attributable to common shareholders	19,043,542	19,297,650	18,784,985

Statement of compliance (note 3)
Subsequent events (note 14)

Approved by the Board of Directors

"Scott Tannas" Director "Jennie Moushos" Director

The Western Investment Company of Canada Limited

Condensed Interim Statement of Operations

(Unaudited)

	For the three months ended September 30, 2022 $	For the three months ended September 30, 2021 $	For the nine months ended September 30, 2022 $	For the nine months ended September 30, 2021 $
Income				
Income from equity investments (note 5)	543,922	585,472	171,875	1,374,912
Finance income (note 13)	193,233	17,888	388,685	47,620
Gain on disposal (note 5)	-	-	152,772	-
Management fees (note 13)	37,500	62,500	192,162	187,500
	774,655	665,860	905,494	1,610,032
Expenses				
Legal	6,023	1,372	61,086	13,955
Accounting	32,208	29,267	96,335	75,642
Regulatory	7,002	3,913	41,370	39,651
Consulting	14,285	48,036	52,732	109,107
Other	10,364	4,860	23,443	16,455
Management compensation (note 13)	93,388	94,392	283,597	289,182
Interest on debentures (note 8)	140,692	131,048	417,063	388,866
Interest on operating loan (note 6)	16,634	9,047	34,396	21,445
Interest on related party loan (note 7)	12,270	12,270	36,810	36,810
Share-based compensation expense (note 9)	-	-	51,964	64,440
	332,866	334,205	1,098,796	1,055,553
Net income (loss) for the period	441,789	331,655	(193,302)	554,479
Other comprehensive income – net of tax				
Item that may be reclassified to profit or loss				
Cumulative translation adjustment (note 5)	113,350	31,538	139,910	4,003
Net income (loss) and comprehensive income (loss) for the period	555,139	363,193	(53,392)	558,482
Net income (loss) per share (note 12)				
Basic	0.015	0.011	(0.006)	0.018
Diluted	0.014	0.011	(0.006)	0.018
Weighted average number of shares outstanding (note 12)				
Basic	30,288,897	30,394,386	30,302,298	30,411,133
Diluted	30,533,877	30,531,186	30,520,476	30,465,886

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

The Western Investment Company of Canada Limited

Condensed Interim Statement of Changes in Equity

(Unaudited)

	Number of shares	Share capital $	Treasury shares $	Contributed surplus $	Equity component of convertible debentures $	Accumulated other comprehensive income $	Cumulative Dividends $	(Deficit) $	Total $
Balance – December 31, 2021 (restated note 4)	30,338,756	15,714,798	-	1,418,468	793,815	15,167	-	(4,423,623)	13,518,625
Share repurchases	(51,000)	(26,417)	-	7,373	-	-	-	-	(19,044)
Cumulative translation adjustment	-	-	-	-	-	139,910	-	-	139,910
Issuance of share-based compensation	-	-	-	51,964	-	-	-	-	51,964
Dividends declared (note 11)	-	-	-	-	-	-	(151,514)	-	(151,514)
Net loss for the period	-	-	-	-	-	-	-	(193,302)	(193,302)
Balance – September 30, 2022	30,287,756	15,688,381	-	1,477,805	793,815	155,077	(151,514)	(4,616,925)	13,346,639
Balance – December 31, 2020 (restated note 4)	30,460,756	15,777,991	(1,823)	1,328,857	793,815	11,505	-	(4,443,590)	13,466,755
Share repurchases	(78,000)	(40,402)	1,823	19,490	-	-	-	-	(19,089)
Cumulative translation adjustment	-	-	-	-	-	4,003	-	-	4,003
Issuance of share-based compensation	-	-	-	64,440	-	-	-	-	64,440
Net income for the period	-	-	-	-	-	-	-	554,479	554,479
Balance – September 30, 2021 (restated note 4)	30,382,756	15,737,589	-	1,412,787	793,815	15,508	-	(3,889,111)	14,070,588

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

The Western Investment Company of Canada Limited

Condensed Interim Statement of Cash Flows

(Unaudited)

	For the nine months ended September 30, 2022 $	For the nine months ended September 30, 2021 $
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period	(193,302)	554,479
Adjustments for non-cash items		
Income from equity investments (note 5)	(171,875)	(1,374,912)
Gain on acquisition	(152,772)	-
Interest on debentures	417,063	388,866
Share-based compensation (note 9)	51,964	64,440
Net change in non-cash working capital	(44,687)	(35,225)
Cash used in operating activities	(93,609)	(402,352)
Investing activities		
Due from (to) related parties (note 13)	70,996	(3,783)
Proceeds on sale of investment in associate	535,175	-
Dividends from associates (note 13)	138,000	141,000
Cash provided by investing activities	744,171	137,217
Financing activities		
(Repayments) advances on operating loan (note 6)	(177,606)	232,228
Interest paid on debentures (note 8)	(300,000)	(300,000)
Dividends paid to shareholders (note 11)	(151,514)	-
Repurchase of shares (note 9)	(19,043)	(19,090)
Cash used in financing activities	(648,163)	(86,862)
Increase (decrease) in cash during the period	2,399	(351,997)
Cash – Beginning of period	23,318	365,897
Cash – End of period	25,717	13,900
Supplemental information		
Income taxes paid	-	-
Interest paid	371,206	358,255

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.

These unaudited condensed interim financial statements ("the interim financial statements") of the Corporation for the period ended September 30, 2022 were approved and authorized for issuance by the Corporation's board of directors on November 28, 2022.

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 to $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 are the companies Western has invested in to date (see note 5 for additional information):

GlassMasters – Equity Investment

On December 16, 2016 GlassMasters ARG Autoglass Two Inc. ("GlassMasters") became Western's first investment. On February 1, 2022, the Corporation disposed of 5% of its interest in GlassMasters, bringing our total investment in GlassMasters at September 30, 2022 to 58.2%. 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 and Saskatchewan.

Golden Health Care – Equity Investment

On September 1, 2017, the Corporation obtained 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. The Golden Health Care group of homes is the largest full-service retirement operator in Saskatchewan.

Ocean Sales Group Ltd. – Equity Investment

On January 1, 2018, the Corporation obtained a 75% interest in Ocean Sales Group Ltd. ("Ocean"), a speciality retailer that imports and sells a line of speciality retail products through unique marketing channels across North America. Ocean has four divisions: consumer shows where it markets high-quality innovative household products through live demonstrations at leading consumer shows and fairs throughout Canada and the US; Costco where it demonstrates a select set of products within its Canadian stores; wholesale; and on-line. Headquartered in Calgary, Alberta, they have four strategically located warehouses in Alberta, Washington, Ontario and Quebec.

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 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

On May 6, 2019, Western acquired a 50.0% interest in Fortress Insurance Company ("Fortress"). 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 British Columbia, Alberta, Saskatchewan and Manitoba.

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 on the basis of accounting principles applicable to a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Corporation has negative working capital as the result of its operating loan, which is due on demand however there are no indications that repayment will be required in the next fiscal year and beyond. The Corporation had negative cash flow in 2021, however 2022 to date has positive cash flow. Management maintains a regularly updated multi-year cash flow forecast and believes it will have sufficient cash flow from associates, and adequate room on the operating loan to fund operations and satisfy its obligations in the normal course of operations for the foreseeable future.

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, 2021, 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 year ended December 31, 2021.

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 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.

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 timely financial statements necessitates the use of judgements, 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 revenues and expenses during the reporting periods.

Impact of the Pandemic

On March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic (the "Pandemic"). While the operations of the Corporation and its associates are no longer significantly impacted by the Pandemic, there continues to be negative effects on the economy leading to significant future business uncertainties. These uncertainties include, but are not limited to, ongoing inflation impacting the cost of goods sold and operating expenses, labour shortages, and disruptions in the supply chain.

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 September 30, 2022, certain of the Corporation's associates were not in compliance with financial covenants contained within their loans and borrowings. Some associates have negotiated, or are in the process of negotiating, revised terms with their lenders to provide temporary adjustments to covenants. Management of Western believes that the Corporation itself has sufficient room on its operating facilities to meet all obligations over the next 12 months. Each associate is carefully managing its capital to meet obligations.

4 Prior period restatement

In the recent quarter the Canadian Dairy Commission ("CDC") performed an audit of 2020 milk rebates paid out to Foothills. The audit resulted in the requirement of an estimated $405,027 in rebates received in 2020 to be repaid. Foothills has accrued the estimated amount payable and restated the results of 2020. As a result of this adjustment, Western's equity income earned from Foothills for 2020 decreased by $204,134. The effect on the current financial statements is a decrease in opening retained earnings and our investment in Foothills.

The effect of this restatement on the financial statements is summarized below. There is no affect on 2021 net income.

	2021 original $	2021 restated $	Change $
Investment in associates	18,685,014	18,480,880	(204,134)
Opening deficit	(4,239,456)	(4,443,590)	(204,134)
Deficit, ending	(4,219,489)	(4,423,623)	(204,134)

5 Investment in associates

The investment in associates balance consists of:

	September 30, 2022 $	December 31, 2021 restated (note 4) $
Western's interest in Fortress Insurance Company	1,800,862	1,956,214
Western's interest in Foothills Creamery Ltd.	2,911,337	3,301,364
Western's interest in Ocean Sales Group Ltd.	1,319,428	862,587
Western's interest in Golden Health Care group of companies	4,847,572	4,922,833
Western's interest in GlassMasters ARG Autoglass Two Inc.	2,734,503	7,437,882
	13,613,702	18,480,880
Note receivable in GlassMasters ARG Autoglass Two Inc.	4,658,559	-
	18,272,261	18,480,880

a) Nature of investments in associates

Glass Masters ARG Autoglass Two Inc.

The Corporation acquired a 50.1% interest in GlassMasters in 2016 and added an additional 11.2% on December 31, 2019. On February 1, 2022 the Corporation disposed of a 3.1 % interest bringing Western's total equity interest in GlassMasters as at September 30, 2022 to 58.2%. In line with the February disposition the Corporation recognized a capital gain of $152,772 in the nine months ended September 30, 2022.

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 5-year term promissory note, bearing interest at a rate equal to the prime rate of the Bank of Montreal plus 10%. The return of capital and related promissory note related to Western’s shareholdings was $4,658,559. In the period ended September 30, 2022 $329,787 has been earned and paid on this note. This note payable is still considered part of Western’s net investment in GlassMasters.

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.

Golden Health Care group of companies

The Corporation acquired a minority interest in Golden in 2017. Western appoints two of nine members 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 investments in Golden and accordingly, the Corporation is using the equity method to account for the Golden investment.

Ocean Sales Group Ltd.

The Corporation acquired a 75% interest in Ocean in 2018. 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, the Corporation is using the equity method to account for this investment.

Ocean records a cumulative translation adjustment as part of the consolidation of its foreign subsidiary that has a functional currency of US dollars. Western’s share of this adjustment is recognized in other comprehensive income. As at September 30, 2022 and December 31, 2021, Ocean was in breach of certain of its financial covenants and has therefore classified its outstanding credit facility balances as current.

Foothills Creamery Ltd.

The Corporation acquired a 50.4% interest in Foothills Creamery Ltd. in 2018. Western appoints two of seven 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.

As at September 30, 2022 and December 31, 2021, Foothills was in breach of certain of its financial covenants. The company is currently in negotiations with it lender to revise the terms of its loans.

Fortress Insurance Company

The Corporation completed the acquisition of a 50% interest in Fortress Insurance in 2019. The Corporation has two of seven directors appointed to the board of directors giving it the ability to exercise significant influence but not control over Fortress. Accordingly, the Corporation is using the equity method to account for this investment.

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 the investments.

Summarized financial information as at September 30, 2022 and for the nine months then ended

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $
Current assets	8,784,610	1,923,730	6,832,493	9,751,568	16,185,891
Non-current assets	20,775,874	18,506,776	3,092,022	23,860,463	-
Current liabilities	10,077,576	1,338,107	7,228,611	24,403,607	12,782,858
Non-current liabilities	14,728,036	11,305,289	1,076,981	3,355,971	-
Net assets	4,754,872	7,787,110	1,618,923	5,852,453	3,403,033
Revenue	22,715,744	6,516,406	15,746,351	27,759,841	2,227,236
Net income (loss) and comprehensive income (loss)	585,122	206,510	399,082	(773,863)	(310,704)

Summarized financial information as at December 31, 2021 and for the nine months ended September 30, 2021

	GlassMasters $	Golden $	Ocean $	Foothills restated (note 4) $	Fortress $
Current assets	5,661,978	3,136,349	5,631,411	8,705,411	12,908,489
Non-current assets	19,980,080	18,903,665	3,098,622	24,020,959	-
Current liabilities	7,245,082	1,249,352	6,675,427	22,579,992	9,194,752
Non-current liabilities	6,227,228	12,752,620	1,044,806	3,115,684	-
Net assets	12,169,748	8,038,042	1,009,800	7,030,694	3,713,737
Revenue	18,801,640	6,648,663	10,025,372	34,142,239	791,770
Net income (loss) and comprehensive income (loss)	989,450	458,486	877,888	182,892	(248,890)

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 nine months ended September 30, 2022

	GlassMasters $	Golden $	Ocean $	Foothills $	Fortress $	Total $
Western ownership interest	58.2 - 61.3%	25.0 – 30.0%	75.0%	50.4%	50.0%	
Share of net assets as of December 31, 2021	7,437,882	4,922,833	862,587	3,301,364	1,956,214	18,480,880
Disposal	(382,404)	-	-	-	-	(382,404)
Return of capital	(4,658,559)	-	-	-	-	(4,658,559)
Dividends declared	-	(138,000)	-	-	-	(138,000)
Share of comprehensive income (loss)	337,584	62,739	316,931	(390,027)	(155,352)	(171,875)
Share of other comprehensive income	-	-	139,910	-	-	139,910
Share of net assets as of September 30, 2022	2,734,503	4,847,572	1,319,428	2,911,337	1,800,862	13,613,702

Reconciliation of the carrying value for the nine months ended September 30, 2021

	GlassMasters $	Golden $	Ocean $	Foothills restated (note 4) $	Fortress $	Total $
Western ownership interest	61.3%	25.0 – 30.0%	75.0%	50.4%	50.0%	
Share of net assets as of December 31, 2020	6,824,284	4,966,764	131,715	3,615,694	2,040,389	17,578,846
Dividends declared	-	(141,000)	-	-	-	(141,000)
Share of comprehensive income (loss)	606,532	138,124	662,523	92,178	(124,445)	1,374,912
Share of other comprehensive income	-	-	4,003	-	-	4,003
Share of net assets as of September 30, 2021	7,430,816	4,963,888	798,241	3,707,872	1,915,944	18,816,761

6 Operating loan

The Corporation has a demand revolving operating loan facility agreement with a Canadian financial institution (the facility) to a maximum amount of $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. in 2018, 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 some of its associates;

c) assignment of material contracts; and

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

The facility is subject to review by the bank annually, or at any time at the discretion of the Lender, and was last reviewed on May 31, 2021. As at September 30, 2022, $836,685 was drawn on the facility (December 31, 2021 – $1,014,292).

Subsequent to September 30, 2022, the facility was amended to a committed revolving facility. The amended facility has a three-year revolving period with a maturity date of October 6, 2025. The interest rate remains at the bank's prime rate plus 2% per annum and it carries a standby fee of 0.5% per annum on the unused portion.

7 Loan from related party

The Corporation holds a $1.2 million shareholder loan from Golden. The loan bears interest at 4.09% annually, payable with interest only monthly 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. There are no financial covenants affecting the loan.

8 Convertible debentures

On May 9, 2019, the Corporation issued $4 million of unsecured convertible debentures with a principal value of $1,000 each (the "Debentures"). Each Debenture is convertible into common shares of Western at a conversion price of $0.55 per share at the holder's discretion. The Debentures mature on June 30, 2024 and bear interest at the rate of 7.5% per annum, payable semi-annually at the end of March and September.

If after June 30, 2021, 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 Debentures into common shares. Western may also elect, at its option, to redeem all or part of the Debentures at any time after June 30, 2021 at the redemption price set forth below plus accrued and unpaid interest, if redeemed during the calendar year on 45 days' written notice by Western:

	%
2022	105.0
2023	102.5
2024	100.0

The Corporation incurred underwriting fees and issuance costs of $400,742, including 425,454 broker warrants valued at $29,566. The warrants expired on April 9, 2021. The closing costs are allocated against the carrying value of the liability and equity components of the Debentures.

The Debentures are a compound financial instrument containing both a liability and equity component. The liability component represents the present value of interest and principal payments over the life of the financial instrument discounted at 13.9%, which was the approximate rate available to the Corporation for similar debt without the conversion feature at the date the convertible debentures were issued. The residual value of $793,815 (net of issuance cost) was allocated to the equity component. The liability component will be accreted to the principal value using the effective rate of 16.5%.

9 Share capital

Authorized

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

Issued

During the nine months ended September 30, 2022, nil common shares were issued (September 30, 2021 – nil). There are no preferred shares issued to date. The following is a summary of the common shares issued at period-end.

	Number of shares	Amount $
Balance – December 31, 2020	30,460,756	15,777,991
Share repurchase	(122,000)	(63,193)
Balance – December 31, 2021	30,338,756	15,714,798
Share repurchase	(51,000)	(26,417)
Balance – September 30, 2022	30,287,756	15,688,381

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 ten years.

220,000 options have been issued during the nine months ended September 30, 2022 (September 30, 2021 – 360,000). All options vest immediately and are expensed at the time of grant.

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

Risk-free interest rate	0.47% – 3.35%
Vesting period	nil
Expected life of stock option	10 years
Volatility	50% - 70%
Dividends	-

The following stock options were outstanding as at September 30, 2022:

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	3.41	0.5981
April 6, 2016	April 6, 2026	0.56	140,000	3.52	0.4554
April 21, 2017	April 21, 2027	0.65	30,000	4.56	0.3914
June 19, 2017	June 19, 2027	0.65	150,000	4.72	0.3279
July 4, 2018	July 4, 2028	0.50	320,000	5.76	0.2316
August 23, 2019	August 23, 2029	0.40	294,000	6.87	0.2539
June 1, 2020	June 1, 2030	0.27	360,000	7.67	0.1743
May 3, 2021	May 3, 2031	0.27	360,000	8.59	0.1790
June 29, 2022	June 29, 2032	0.34	220,000	9.75	0.2362

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 4.9% of the 30,287,756 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 exchange at the market price of the common shares at the time of the acquisition. On January 13, 2022, 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 2022 Bid on February 10, 2022.

For the nine months ended September 30, 2022, 51,000 common shares were repurchased at a total price of $19,043 (September 30, 2021 - 69,000 common shares were repurchased at a total price of $19,090). 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 $26,417 for the nine months ended September 30, 2022 (September 30, 2021 – $40,402). The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

10 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, due from related parties, operating loan, accounts payable and accrued liabilities, loans 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 number 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, current amounts due from related parties, operating loan and accounts payable and accrued liabilities approximates its fair value due to the short-term maturities of these items long-term amounts due from related parties and notes receivable are carried at amortized cost and the carrying value approximates their fair value. The convertible debentures are carried at amortized cost and the fair value was calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the issuance date.

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 their 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 profit or loss.

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 statements of financial position.

	September 30, 2022 $	December 31, 2021 $
Cash	25,717	23,318
Due from related parties	734,249	787,655
	759,966	810,973

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 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 an operating loan facility (note 6).

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 September 30, 2022 and December 31, 2021 for its financial liabilities.

	As at September 30, 2022						
	Carrying amount $	Contractual cash flow $	Less than 1 year $	2023 $	2024 $	2025 $	2026 and beyond $
Accounts payable and accrued liabilities	123,164	123,164	123,164	-	-	-	-
Operating loan (note 6)	836,685	852,396	852,396	-	-	-	-
Loan from related party (note 7)	1,200,000	1,408,590	12,270	49,080	49,080	49,080	1,249,080[(1)]
Convertible debentures (note 8)	3,537,054	4,450,000	-	300,000	4,150,000	-	-
	5,696,903	6,834,150	987,830	349,080	4,199,080	49,080	1,249,080

							As at December 31, 2021
	Carrying amount $	Contractual cash flow $	2022 $	2023 $	2024 $	2025 $	2026 and beyond $
Accounts payable and accrued liabilities	144,742	144,742	144,742	-	-	-	-
Operating loan (note 6)	1,014,292	1,054,361	1,054,361	-	-	-	-
Loan from related party (note 7)	1,200,000	1,445,400	49,080	49,080	49,080	49,080	1,249,080(1)
Convertible debentures (note 8)	3,419,991	4,750,000	300,000	300,000	4,150,000	-	-
	5,779,025	7,394,503	1,548,183	349,080	4,199,080	49,080	1,249,080

1) As disclosed in note 6, 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. Based on outstanding amounts under the credit facility as at September 30, 2022, a 1% movement in the prime rate would change the interest expense by approximately $8,367 (December 31, 2020 – $10,143).

The convertible debentures and loan from related party pay 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 who purchase inventories from foreign suppliers, and carry financial assets and liabilities denominated in foreign currencies. As such, their earnings may be affected by fluctuations of foreign exchange rates and the degree of volatility of those rates.

11 Dividends Declared

The Corporation paid dividends of $0.005 per share on July 29, 2022 to shareholders of record on July 15, 2022. The total amount of dividends paid was $151,514.

12 Earnings (loss) per common share

Earnings (loss) per share for the nine months ended is calculated as follows:

	September 30, 2022	September 30, 2021
Net (loss) income for common equity holders	$ (193,302)	$ 554,479
Basic weighted average number of Common Shares	30,302,298	30,411,133
Effect of dilutive securities	231,579	54,753
Diluted weighted average number of Common Shares	30,533,877	30,465,886
Basic (loss) earnings per Common Share	$ (0.006)	$ 0.018
Diluted (loss) earnings per Common Share	$ (0.006)	$ 0.018

As at September 30, 2022, there was 2,664,000 share options outstanding (December 31, 2021 – 2,444,000).

13 Related party transactions

In accordance with the terms of a management fee agreement, Western earns an annual management fee from certain of its associates, payable on a quarterly basis. In the nine months ended September 30, 2022, management fees of $192,162 were earned (nine months ended September 30, 2021 – $187,500). As at September 30, 2022, $734,249 was due from associates (December 31, 2021 – $787,655), which is composed of cash advances, unpaid management fees, and interest. $694,436 of this amount is classified as a long-term receivable as collection within the next fiscal year is not expected (December 31, 2021 – $765,432). Short-term amounts due from related party consists of management fees and expense reimbursements.

Amounts payable from GlassMasters to the Corporation are subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. As at September 30, 2022, $549,211 is due to Western from GlassMasters (December 31, 2021 – $549,227), which has been recorded as long term as collection within the next fiscal year is not expected. Of the total receivable, $300,000 relates to cash advances, $122,632 to prior years management fees and $126,579 to interest on the balance.

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 5-year term promissory note, bearing interest at a rate equal to the prime rate of the Bank of Montreal plus 10%. The term on the note is expected to be renewed indefinitely. The return of capital and related promissory note related to Western's shareholdings was $4,658,559. In the period ended September 30, 2022 $329,787 has been earned and paid on this note. The interest on this note is expected to be paid out regularly as cash requirements at GlassMasters allow.

The Corporation has a shareholder loan from Golden in the amount of $1.2 million. See note 7 for further details. In the nine months ended September 30, 2022, Golden declared and paid $138,000 in dividends payable to Western (nine months ended September 30, 2021 - $141,000).

During the year ended December 31, 2020, Western purchased inventory on behalf of Ocean. The inventory consists of consumer home type products. The inventory is owned by Western until needed by Ocean to satisfy inventory orders from their customers. The substance of the transaction is viewed as a non-recourse loan to Ocean with inventory as collateral. The loan is considered not to represent solely payments of principal and interest and accordingly is carried at fair value through profit and loss. Western is entitled to a 5% markup when the inventory is sold to Ocean and the expectation of receiving these amounts is factored into its fair value model, which initially resulted in measurement of the loan at the cost of the inventory the Corporation purchased. During the nine months ended September 30, 2022, $150,225 in inventory held was sold to Ocean (September 30, 2021 - $41,749). Western has no certainty to expect payment of the remaining balance for the next 12 months and does not foresee any impairment issues related to the inventory held as collateral. As at September 30, 2022, Western had $65,563 included in the due from related parties representing the value of inventory on hand (December 31, 2021 - $216,205). There are no other terms in place between Ocean and the Corporation related to this inventory.

Key management of Western includes the Corporation's executives and directors. During the nine months ended September 30, 2022, $283,597 in salary and benefits was paid or payable to members of management (nine months ended September 30, 2021 – $289,182).

14 Subsequent events

On Oct 1, 2022, 421,579 common shares of GlassMasters were issued to management in accordance with the exercise of employee stock options. This option exercise has resulted in the dilution of Western's ownership interest in GlassMasters from 58.2% to 55.3%. Western will recognize a loss on dilution, in relation to this transaction, of approximately $136,436.

On October 13, 2022 Western signed an amended and restated commitment letter with its lender. The Corporation's operating loan facility was amended to become a committed revolving facility. The amended facility has a three-year revolving period with a maturity date of October 6, 2025. The interest rate remains at the bank's prime rate plus 2% per annum and it carries a standby fee of 0.5% per annum on the unused portion.

On October 19, 2022 Fortress closed a $5.3 million equity offering and signed a strategic agreement with U.S. based Indemnity National Insurance Company. This transaction has resulted in the dilution of Western's ownership interest in Fortress from 50% to 28%, and the recognition of a gain on dilution. The final amount of the gain that will be recognized is not yet determined but it is estimated to be approximately $754,000.

On October 27, 2022, the Corporation advanced $250,000 to Foothills Creamery in the form of a shareholder loan bearing interest at 13% per annum. Unpaid interest shall be added to the principal sum owing. The loan has a one-year maturity date, with the option to extend for two consecutive six-month periods. At the maturity date, Western has the option to convert the outstanding principal sum, together with all accrued and unpaid interest into shares of Foothills at a conversion price of $1.00 per share. If the conversion option is exercised, Western will receive share purchase warrants of Foothills in the amount of one-third of one share purchase warrant for every one share issued upon conversion of the loan. Each warrant shall entitle Western to purchase one share of Foothills.

On November 9, 2021, 100,000 common shares in the capital of Foothills were issued from treasury to a member of management, at a price of $1.0 per share. This transaction has resulted in the dilution of Western's investment in Foothills from 50.4% to 49.6%. The gain on dilution recognized in relation to this transaction is not expected to be material.