The Western Investment Company of Canada Limited

Consolidated Financial Statements
December 31, 2024 and 2023

Independent auditor's report

To the Shareholders of
The Western Investment Company of Canada Limited

Opinion

We have audited the consolidated financial statements of **The Western Investment Company of Canada Limited** [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2024, and 2023, the consolidated statements of income (loss), the consolidated statements of comprehensive income (loss), the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group describes its material accounting judgments and estimates in relation to the valuation of insurance contract liabilities in note 5 to the consolidated financial statements. As at December 31, 2024, the Group recognized insurance contract liabilities amounting to $32.5 million and representing 76% of total liabilities. The principal consideration for our conclusion that the insurance contract liabilities are a key audit matter is that its determination involves the application of models, methodologies, and assumptions that require significant auditor attention. The main assumption underlying these estimates is that the Group's past claims development experience can be used to project future claims development. As such, actuarial claims projection techniques extrapolate the development of paid and incurred losses, frequency and severity of claims based on the observed development of earlier years and expected loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that represents the likely outcome from the range of possible outcomes, considering the uncertainties involved, including the impact of the changes in the prevailing social, economic and legal environment. As a result, estimates of the insurance contract liabilities have a high degree of estimation uncertainty and may materially change in future periods.	Our audit procedures related to the determination of the valuation of insurance contracts liabilities were conducted with the support of our actuarial specialists and included the following, among other procedures: • Obtained an understanding of the Group's actuarial methodologies and assessed whether they were determined in accordance with IFRS 17 – *Insurance Contracts*; • Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management; • Performed an independent valuation of the insurance contract liabilities for a sample of lines of business that reflected our expectations based on the Group's historical experience, current trends, and our industry knowledge; • Performed data integrity testing of incurred claims, paid claims, and earned premiums used in the valuation of insurance contract liabilities; and • Assessed the adequacy of the disclosures pertaining to the insurance contract liabilities provided in note 7 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combination - Acquisition of Fortress Insurance	
The Group describes its material accounting judgments and estimates in relation to business combinations in note 5 to the consolidated financial statements. On October 1, 2024, the Group completed the acquisition of Fortress Insurance ("the Acquisition"). Prior to the Acquisition, the Group held a 28% interest in the shares of Fortress Insurance. The Acquisition was accounted for as a business combination under IFRS 3 whereby the Group was identified as the acquirer and Fortress Insurance as the acquiree. The acquisition accounting is considered a key audit matter because of the quantitative materiality of the acquisition and the significant management judgments and estimates made in determining the purchase price allocation. The key judgments relate to the allocation of the purchase price to the assets and liabilities identified, more specifically to the valuation of identified intangible assets and the valuation of insurance contract liabilities.	Our audit procedures related to the purchase price allocation included the following, among other procedures: • Inspected the key legal agreements to obtain an understanding of the transaction and the key terms; • For the intangible assets, with the support of valuation specialists, assessed the appropriateness of management's valuation methodologies and key assumptions used in measuring fair value. The key assumptions were the insurance revenue growth rate, the insurance service results, and the discount rate. The assessment was based on historical experience, market comparable data or data derived from similar transactions, sensitivity analyses, current trends, and our industry knowledge; • For the insurance contract liabilities, with the support of actuarial specialists, obtained an understanding of the Group's actuarial methodologies and assessed whether they were determined in accordance with IFRS 17 - Insurance Contracts and performed an independent valuation for a sample of lines of business that reflected our expectations based on historical experience, current trends, and our industry knowledge; and • Assessed the adequacy of the disclosures pertaining to the acquisition provided in note 10 to the consolidated financial statements.

Other information

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
April 28, 2025

The Western Investment Company of Canada Limited

Consolidated Statements of Financial Position

As at December 31, 2024 and 2023

	2024 $	2023 $
Assets		
Cash and cash equivalents	43,245,301	618,673
Accounts receivable	50,263	12,687
Accrued interest receivable	75,857	-
Investments (note 6)	11,861,210	-
Reinsurance contract assets (note 7)	20,953,679	-
Prepaid expenses	261,861	24,764
Due from related parties (note 25)	1,303,339	740,205
Intangible assets (note 8)	1,900,508	-
Right of use asset	137,682	-
Property, plant & equipment	35,389	-
Investment in associates (note 9)	16,226,006	18,468,149
Goodwill (note 10)	7,693,912	-
Total Assets	**103,745,007**	**19,864,478**
Liabilities		
Accounts payable and accrued liabilities	2,234,745	358,441
Due to related parties (note 25)	234,966	-
Income taxes payable (note 20)	84,641	-
Lease liabilities	136,337	-
Fronting payable	1,460,149	-
Collateral held (note 11)	213,891	-
Convertible debentures (note 13)	4,835,088	5,630,981
Loan from related party (note 14)	1,005,000	1,095,000
Deferred taxes payable (note 20)	260,668	-
Insurance contract liabilities (note 7)	32,535,600	-
Total Liabilities	**43,001,085**	**7,084,422**
Shareholders' Equity		
Share capital (note 16)	46,171,043	15,646,943
Contributed surplus	19,059,726	2,041,586
Equity component of convertible debentures (note 13)	400,908	623,176
Deficit	(5,949,811)	(5,554,627)
Accumulated other comprehensive income (loss)	(22,659)	22,978
Equity attributable to shareholders	59,659,207	12,780,056
Equity attributable to non-controlling interests (note 17)	1,084,715	-
Total Equity	**60,743,922**	**12,780,056**
Total Liabilities and Shareholders' Equity	**103,745,007**	**19,864,478**

Nature of operations (note 2)
Subsequent events (note 27)

Approved by the Board of Directors

"Scott Tannas" Director   "Sharon Ranson" Director

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

The Western Investment Company of Canada Limited

Consolidated Statements of Income (Loss)

For the years ended December 31, 2024 and 2023

	2024 $	2023 $
Insurance service result		
Insurance revenue (note 7)	8,142,078	-
Insurance service expenses (note 7)	(7,482,484)	-
Net expenses from reinsurance contracts held	(578,280)	-
Total insurance service result	**81,314**	**-**
Investment income (note 18)	284,137	-
Interest accreted on insurance contracts issued	(492,397)	-
Interest accreted on reinsurance contracts held	390,264	-
Net insurance financial Income	(102,133)	-
Other Operating and Administrative Expenses		
Cost and capital neutral mechanism (note 26)	(2,532)	-
Payroll	846,638	447,592
Share-based compensation (note 16, 17)	191,672	56,513
Director fees	15,840	-
Consulting fees	172,056	57,143
Professional fees	1,270,276	306,514
Depreciation and amortization	28,622	-
Other operating expenses	95,724	41,803
Interest expense (note 12, 14)	162,567	161,544
Interest on convertible debentures (note 13)	770,417	630,972
Total other operating and administrative expenses	3,551,280	1,702,081
Other income (expense)		
Income from equity invesments (note 9)	733,778	1,235,241
Other finance income (note 25)	844,168	605,278
Fronting administration fee	16,875	-
Management fees (note 25)	195,000	172,500
Gain on acquisition (note 19)	2,597,162	485
Loss on debt settlement	-	(205,594)
Total other income	4,386,983	1,807,910
Income before income taxes	1,303,287	105,829
Income tax expense	164,061	-
Deferred tax recovery	(137,306)	(96,138)
Net income	**1,276,532**	**201,967**
Net income (loss) attributable to:		
Shareholders	1,312,204	201,967
Non-controlling interests	(35,672)	-
	1,276,532	**201,967**
Net income per common share (note 23)		
Basic and diluted	0.030	0.007
Weighted average number of common shares outstanding (note 23)		
Basic	42,774,905	30,236,345
Diluted	43,241,351	30,502,535

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

The Western Investment Company of Canada Limited

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2024 and 2023

	2024 $	2023 $
Net income	**1,276,532**	**201,967**
Items that may be reclassified to profit or loss in subsequent periods:		
Unrealized loss for FVOCI instruments	(27,114)	-
Reclassification of cumulative translation adjustment to profit or loss, net of tax	(22,978)	-
Other comprehensive loss for the year	(50,092)	-
Total comprehensive income for the year	**1,226,440**	**201,967**
Total comprehensive income (loss) attributable to:		
Shareholders	1,266,567	201,967
non-controlling interests	(40,127)	-
	1,226,440	**201,967**

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

The Western Investment Company of Canada Limited

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2024 and 2023

	Number of shares	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Equity attributable to NCI	Total shareholders' equity
		$	$	$	$	$	$	$
Balance – December 31, 2023	**30,207,756**	**15,646,943**	**2,041,586**	**623,176**	**22,978**	**(5,554,627)**	**-**	**12,780,056**
Other comprehensive loss	-	-	-	-	(45,637)	-	(4,455)	(50,092)
Net income for the year	-	-	-	-	-	1,312,204	(35,672)	1,276,532
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(45,637)**	**1,312,204**	**(40,127)**	**1,226,440**
Private placement and rights offering (note 16)	90,742,365	19,541,946	16,755,000	-	-	-	-	36,296,946
Share issuance costs	-	(938,043)	-	-	-	-	-	(938,043)
Issuance of shares for the Fortress acquisition (note 10)	27,318,922	11,920,197	-	-	-	-	2,758,569	14,678,766
Issuance of share-based compensation (note 16, 17)	-	-	40,872	-	-	-	150,800	191,672
Maturity of debentures (note 13)	-	-	222,268	(222,268)	-	-	-	-
Acquistion of non-controlling interest (note 10)	-	-	-	-	-	(1,707,388)	(1,784,527)	(3,491,915)
Balance – December 31, 2024	**148,269,043**	**46,171,043**	**19,059,726**	**400,908**	**(22,659)**	**(5,949,811)**	**1,084,715**	**60,743,922**
Balance – December 31, 2022	**30,287,756**	**15,688,381**	**1,477,805**	**793,815**	**22,978**	**(5,605,555)**	**-**	**12,377,424**
Repurchase of shares (note 16)	(80,000)	(41,438)	11,712	-	-	-	-	(29,726)
Issuance of share-based compensation (note 16)	-	-	56,513	-	-	-	-	56,513
Exchange and issuance of debentures (note 13)	-	-	495,556	(170,639)	-	-	-	324,917
Dividends paid (note 22)	-	-	-	-	-	(151,039)	-	(151,039)
Net income for the year	-	-	-	-	-	201,967	-	201,967
Balance – December 31, 2023	**30,207,756**	**15,646,943**	**2,041,586**	**623,176**	**22,978**	**(5,554,627)**	**-**	**12,780,056**

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

The Western Investment Company of Canada Limited

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

	2024	2023
Cash provided by (used in):	**$**	**$**
Operating activities		
Net income for the year	1,276,532	201,967
Adjustments for non-cash items:		
Income from equity investments (note 9)	(733,778)	(1,235,241)
Gain on acquisition (note 19)	(2,597,162)	(485)
Loss on debt settlement	-	205,594
Interest on convertible debentures (note 13)	770,417	630,972
Share based compensation (note 16, 17)	191,672	56,513
Realized loss (gain) on marketable securities	(28,362)	-
Unrealized gain on investments	(73,280)	-
Deductibles assumed by policyholders	558,555	-
Claims expense for deductibles assumed by policyholders	(558,555)	-
Amortization and depreciation	79,022	5,500
Deferred tax recovery (note 20)	(137,306)	(96,138)
Interest accreted on lease liabilities	952	-
Interest paid on convertible debentures (note 13)	(441,311)	(336,036)
Net change in non-cash balances related to operations (note 24)	1,949,619	551,547
Cash provided by (used in) operating activities	**257,015**	**(15,807)**
Investing activities		
Cash acquired in business combination (note 10)	10,039,572	-
Repayments from related parties	10,406	303,831
Advances to related parties (note 25)	(573,541)	(182,319)
Dividends from associates (note 9)	90,000	105,000
Purchase of intangible assets & property, plant & equipment	(28,188)	-
Purchases of investments (note 6)	(433,451)	-
Proceeds from sale and maturities of investments (note 6)	1,282,359	-
Cash provided by investing activities	**10,387,157**	**226,512**
Financing activities		
Proceeds from issuance of convertible debentures (note 13)	-	2,125,000
Debenture issuance costs	-	(256,666)
Repayment of convertible debentures (note 13)	(1,125,000)	-
Repayments on operating loan (note 12)	-	(1,200,316)
Repayment of loan from related party (note 14)	(90,000)	(105,000)
Dividends paid to shareholders (note 22)	-	(151,039)
Share repurchase	-	(29,726)
Acquisition of NCI of subsidiary (note 10)	(2,153,164)	-
Proceeds from capital raise (note 16)	36,296,946	-
Equity issuance costs (note 16)	(938,042)	-
Lease liabilities payments	(8,284)	-
Cash provided by financing activities	**31,982,456**	**382,253**
Net increase in cash and cash equivalents during the year	42,626,628	592,958
Non-controlling interest	-	-
Cash and cash equivalents, beginning of period	618,673	25,715
Cash and cash equivalents, end of period	**43,245,301**	**618,673**
Supplemental cash flow information		
Restricted cash	213,891	-
Interest paid	589,509	497,581

The accompanying notes are an integral part of these consolidated 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 #Suite 1700 - 95 St Clair Avenue West, Toronto, Ontario, M4V 1N6 and the address of the registered office is Suite 800, Dome Tower, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1. The consolidated financial statements of the Corporation for the year ended December 31, 2024, were approved and authorized for issuance by the Corporation's Board of Directors on April 28, 2025.

These consolidated financial statements include the accounts of the Corporation and its subsidiary. The Corporation has an investment in a wholly owned subsidiary, as at December 31, 2024, which operates in Canada and is incorporated under the Alberta Insurance Act. The principal business, of the wholly owned subsidiary, Fortress Insurance ("Fortress"), involves property insurance, but the company also offers insurance in niche products including accident & sickness, automobile, boiler & machinery, fidelity, legal expense, liability, marine and surety. Fortress has regulatory licences in western Canada, Ontario, and the territories.

The Corporation has a non-controlling interest investment in a number of companies that are accounted for under the equity method. Following is a summary of Western's equity investments (see note 9 for additional information):

GlassMasters ARG Autoglass Two Inc. – equity investment

In 2016, GlassMasters ARG Autoglass Two Inc. ("GlassMasters") became Western's first investment. The Corporation's total investment in GlassMasters at December 31, 2024, was 55%. GlassMasters is an automotive glass service company providing repair and replacement of automotive glass and an automotive glass warehouse that imports to sell wholesale a full line of quality aftermarket glass parts and materials. GlassMasters' principal markets are in Alberta, Saskatchewan, and British Columbia.

Golden Health Care – equity investment

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

Foothills Creamery Ltd. – equity investment

In 2018, Western acquired a 50% interest in Foothills Creamery Ltd. ("Foothills") and as at December 31, 2024 owns 49%. 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.

3 Basis of preparation

Statement of compliance

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

The Corporation presents its consolidated balance sheets broadly in order of liquidity.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at December 31, 2024. Control is achieved when the Corporation is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Corporation controls an investee if and only if, the Corporation has:

- Power over the investee (i.e, existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, when the Corporation has less than a majority of the voting or similar rights of an investee, the Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Corporations' voting rights and potential voting rights.

The Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if the results in the non-controlling interest have a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Corporation's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Corporation loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while a resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

Role of the Appointed Actuary

The actuary is appointed by Fortress’s Board of Directors pursuant to the Insurance Act of Alberta. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of the Corporation’s insurance contract liabilities are in accordance with IFRS 17, applicable legislation and associated regulations or directives.

4 Material accounting policy information

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with original maturities of 90 days or less that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value. Short term investments with original maturities greater than 90 days are classified as investments.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods and services that have been purchased in the normal course of business. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Stock-based compensation

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

The Corporation's subsidiary has an employee share ownership plan that grants its employees the option to acquire shares of the company. In line with the acquisition of control, this plan will now be settled with the Corporation's stock and is therefore included in the Corporation's stock option plan. The fair value of the outstanding unvested options at the acquisition date, October 1, 2024, is included in non-controlling interest.

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

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Corporation obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS accounting standards provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are expensed through the consolidated statement of income (loss). Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the acquisition.

The Corporation determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. The Corporation has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net asset acquired is in excess of the aggregate consideration transferred, the Corporation re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units

Investments in associates

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

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

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

Income taxes

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

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

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax basis. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities or assets are settled or recovered.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are designated as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Property, plant and equipment

Items of property, plant and equipment are recorded at cost, less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss based on the declining balance method of calculating depreciation since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods and residual values are reviewed at each financial year-end and adjusted if appropriate. Any changes in these estimates are accounted for prospectively. Property, plant and equipment assets are amortized using the straight-line method over their estimated useful lives. Property, plant and equipment assets include office furniture which are amortized over 5 years and computer equipment which is amortized over 2 years.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Corporation. Ongoing repairs and maintenance are expensed as incurred.

Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For leases where Fortress acts as the lessee and the term is over 12 months, it recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The Corporation's leases are classified as operating leases. Operating leases are recognized into income on a straight-line basis. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability with certain adjustments, and subsequently depreciated using the straight-line method, with depreciation expense included in the Statement of Profit (Loss) and Other Comprehensive Income (Loss). The right-of-use asset is depreciated to the earlier of the lease term and its useful life.

The right-of-use asset is assessed for impairment under IAS 36 Impairment of Assets. Right-of-use assets are assessed for indicators of impairment at each reporting period. If there is an indication that a right-of-use asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. If an impairment loss has been incurred, the carrying value of the right-of-use asset is reduced with the corresponding amount recognized in income.

The lease liability is initially measured at the present value of lease payments over the term of the lease using a discount rate that is based on the Corporation's incremental borrowing rate. The discount rate is specific to each lease and is determined by various factors, such as the lease term and currency. The lease term includes the non-cancellable period and the optional period where it is reasonably certain we will exercise an extension or termination option, considering various factors that create an economic incentive to do so. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method, with interest charged to Sundry expense in the Statement of Profit (Loss) and Other Comprehensive Income (Loss). Lease liabilities and right-of-use assets are remeasured upon lease modifications. A lease modification is considered as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease.

Intangible assets

Intangible assets acquired in a business combination are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and accumulated impairment losses.

The Corporation assesses whether the useful life of an intangible asset is finite or indefinite. Intangible assets are amortized using the straight-line method over their estimated useful lives. Intangible assets with finite useful lives include a data management system that is amortized over 2 years, and broker relationships amortized over 7 years. Intangible assets with indefinite useful lives include license acquisition costs.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Goodwill is not subject to amortization but rather is tested for impairment on an annual basis or earlier when there is an indication of potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies of the combination. Each CGU to which the goodwill is allocated represents the lowest level within the Corporation at which the goodwill is monitored for internal management purposes. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Any impairment is recognized immediately in net income and comprehensive income and is not subsequently reversed.

Cost and capital neutral mechanism

Cost and Capital Neutral Mechanism for Prairie View Holdings (“PVH”) and Calgary Park & Jet (“CPJ”) business is a structure to ensure that the premiums paid by PVH and CPJ for third party auto liability and the losses incurred from this business, including actuarial liabilities incurred, are profit neutral and do not impact the value of Fortress. Any excess funds under this structure are credited back to PVH in the form of a premium credit and similarly any deficit in reserves shall be paid to Fortress by PVH. The Corporation doesn’t incur insurance risk from this mechanism and the administrative fee received as payment is recorded based on IFRS 15. PVH and CPJ are subsidiaries of a shareholder of Western.

Financial instruments

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

I. Initial recognition and measurement categories

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognized on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at fair value through profit and loss (FVPL), transaction costs are added to this amount.

The Corporation classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms. The categories include amortized cost, fair value through other comprehensive income (FVOCI) and FVPL.

Instruments measured at amortized cost

Debt instruments are held at amortized cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows

- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment

The Corporation determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. It holds financial assets to generate returns and provides a capital base to provide for settlement of claims as they arise. Fortress considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Corporation's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to Fortress's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

- The expected frequency, value and timing of asset sales are also important aspects of Fortress's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Corporation's original expectations, the Corporation does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process Fortress assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, Fortress applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

a) Instruments measured at fair value through other comprehensive income

Fortress applies IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset meet the SPPI test

Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

b) Instruments measured at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

II. Subsequent measurement

a) Instruments measured at amortized cost

After initial measurement, debt instruments are measured at amortized cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected credit losses (ECLs) are recognized in the statement of profit or loss when the investments are impaired. This includes the Corporation's cash, accounts receivable, certain amounts due from related parties, the operating loan, accounts payable and accrued liabilities, convertible debentures and a loan from related party

Instruments at fair value through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Where Fortress holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

c) Instruments measured at fair value through profit or loss

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established. This includes certain amounts due from related parties.

Reclassification of financial assets and liabilities

The Corporation does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Corporation acquires, disposes of, or terminates a business line.

All financial instruments are initially measured at fair value, adjusted for transaction costs (where applicable), on the consolidated statements of financial position. The Corporation measures financial instruments in subsequent periods depending on how the instrument has been classified.

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.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its right to receive cash flows from the asset or has assumed an obligation.

To pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Corporation has transferred substantially all the risks and rewards of the asset; or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Derecognition due to substantial modification of terms and conditions

Fortress derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognized as a derecognition gain or loss. In the case of debt instruments at amortized cost, the newly recognized loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognize an instrument, amongst others, the Corporation considers the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Corporation records a modification gain or loss.

Derecognition of financial liabilities

The Corporation de-recognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

Fair value of financial instruments

The fair value of non-derivative financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined by reference to quoted market prices.

The fair value of other non-derivative financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Convertible debentures

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

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

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

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

Impairment of financial assets

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

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

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

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

Provision for expected credit losses

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

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

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

Incorporation of forward-looking information

The Corporation incorporates forward-looking information into both its initial measurement of ECL and its assessment of whether the credit risk of an instrument has increased significantly since initial recognition.

The Corporation formulates three economic scenarios: a base case, which is the central scenario, developed internally and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by Fortress for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies, monetary authorities and other selected forecasts such as:

- GDP growth
- Central Bank base rates

ECL are sensitive to judgements and assumptions made regarding the formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

Financial assets are written off either partially or in their entirety only when the Corporation has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these consolidated financial statements.

Definition of default

The Corporation considers a financial asset to be in default (credit impaired) when:

- the debtor is unlikely to pay its credit obligations in full, without recourse to actions such as realizing security (if any is held); or
- the contractual payments are 90 or more days past due.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Debt instruments measured at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to profit or loss. The accumulated gain recognized in OCI is recycled to the profit or loss up on derecognition of the assets.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, Fortress considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on Fortress' experience, expert credit assessment and forward-looking information.

The Corporation primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Corporation monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Corporation also reviews changes in available press and regulatory information about issuers.

Where external credit ratings are not available, the Corporation allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections and available regulatory and press information about debtors) and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned with external credit rating definitions.

The Corporation has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Corporation considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. Fortress considers this to be BBB- or higher.

The Corporation identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed on an individual instrument basis as described above.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are designated as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either financial liabilities at FVPL or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Related party transactions

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

Insurance and reinsurance contracts

I. Classification

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Corporation agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event.

The Corporation issues property, liability and auto insurance contracts in the normal course of business (direct business) and holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Corporation. The Corporation may acquire insurance and reinsurance contracts through a business combination or transfer of contracts. All references to insurance and reinsurance contracts include contracts issued, held, and acquired by the Corporation, unless otherwise stated.

II. Measurement

Insurance contracts are measured in accordance with IFRS 17, using one of the following approaches:

Premium Allocation Approach (PAA): this is a simplified measurement approach and is applied to all insurance contracts that are eligible to use it. For Fortress, the PAA applies to all insurance and reinsurance contracts except the gap coverage business.

General Measurement Model (GMM): this approach is the default model for the measurement of insurance contracts. This approach applies to the gap coverage business only.

Fortress chose to apply the PAA measurement model for all of its insurance and reinsurance contracts, except for the gap coverage business, since most of its policies are under 1 year. GMM is the default model for the recognition and measurement of insurance contracts; however, there is an option to use the PAA for contracts that have a coverage period of one year or less or if the resulting liability for remaining coverage (insurance coverage to be provided after the reporting period) is not expected to materially differ from its measurement under the GMM, which the Corporation qualified for after performing a test on PAA vs GMM for the few policies over 12 months. Effective October 1, 2024, the Corporation started a new tire and rim program with policies that average 5-year coverage and is accounted for under PAA since the test results on PAA vs GMM didn’t materially differ.

Reinsurance contracts held are measured in a manner consistent with the associated underlying insurance contracts and in accordance with the terms of each reinsurance contract held. The measurement of reinsurance contracts held includes a provision for the risk that the reinsurer will not honour its obligations under the contract, where relevant.

The Corporation does not issue any contracts with direct participating features.

III. Separating components from insurance and reinsurance contracts

The Corporation assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Corporation applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, Fortress's products do not include any distinct components that require separation.

IV. Level of aggregation

IFRS 17 requires a Corporation to determine the level of aggregation for applying its requirements. The level of aggregation for the Corporation is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Corporation assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Corporation assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Corporation considers facts and circumstances to identify whether a group of contracts are onerous based on:

Pricing information
Results of similar contracts it has recognized
Environmental factors, e.g., a change in market experience or regulations

Fortress divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

V. Recognition

The Corporation recognizes groups of insurance contracts it issues from the earliest of the following:

The beginning of the coverage period of the group of contracts
The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
The issue date if facts and circumstances indicate that the group is onerous.

Fortress recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

The beginning of the coverage period of the group of reinsurance contracts held (however, the Corporation delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held), and
The date the Corporation recognizes an onerous group of underlying insurance contracts if the Corporation entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

Fortress adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

VI. *Contract boundary*

Fortress includes in the measurement of a group of insurance and reinsurance contracts all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Corporation can compel the policyholder to pay the premiums, or in which the Corporation has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the Corporation has the practical ability to reassess the risks of the portfolios or individual policyholders and, as a result, can set a price or level of benefits that fully reflects those risks. When assessing whether the entity has the practical ability to set a price that fully reflects the risks in the contract or portfolio, it considers all the risks that it would consider when underwriting equivalent contracts on the renewal date for the remaining service. In determining the estimates of future cash flows at the end of a reporting period, the Corporation reassesses the boundary of an insurance contract to include the effect of changes in circumstances on the entity's substantive rights and obligations.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

VII. *Insurance contracts and associated cash flows*

The carrying amount of a group of insurance and reinsurance contracts at the end of each reporting period is composed of the following:

Basic components of insurance and reinsurance contracts.

Component	Description	Relates to
Liability for remaining coverage	The obligation to provide coverage after the reporting period for insured events that have not yet occurred.	Future service
Liability for incurred claims	The obligation to investigate and pay valid claims for insured events that have already occurred, including events that have	Past service

	occurred but for which claims have not been reported, and other incurred insurance expenses.	
Contract Service Margin	Represents the present value of unearned profit that a group of insurance contracts will recognize as it provides services under those contracts.	Future service
Asset for remaining coverage	The right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.	Future service
Asset for incurred claims	The right to receive compensation for reinsured events that have already occurred, including events that have occurred, but for which reinsured claims have not been reported.	Past service

VIII. Insurance and reinsurance contracts recognition, measurement, and presentation

a) PAA Insurance contracts – recognition, initial measurement and presentation

The Corporation applies PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, except for the gap coverage product, as:

- For most of the Corporation's contracts, the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary,
- For contracts longer than one year, the Corporation has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM, and

For the gap coverage product, the Corporation applies the GMM.

In assessing materiality, the Corporation has also considered qualitative factors such as the nature of the risk and types of its lines of business.

If facts and circumstances indicated that contracts are onerous at initial recognition, Fortress would perform additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts would be separately grouped from other contracts and the Corporation would recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cashflows. A loss component would be established by the Corporation for the liability for remaining coverage for such onerous group depicting the losses recognized.

Insurance revenue in each reporting period represents the changes in liabilities for remaining coverage ("LRC") that relate to services for which Fortress expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For insurance contracts measured under the PAA, expected premium receipts are allocated to insurance revenue based on the passage of time.

Insurance acquisition cash flows are allocated to existing contracts on a systematic and rational basis. Under the PAA, Fortress recognizes insurance acquisition cash flows as an expense when incurred. The risk adjustment in the insurance liability reflects the compensation that an insurer requires for bearing the uncertainty arising from non-financial risk. For insurance contracts issued a portion relating to the LIC is recognized in insurance service expenses.
Finance expense and income from insurance and reinsurance contracts held, are presented separately from insurance revenue and insurance service expenses.

b) GMM Insurance contracts – recognition, measurement and presentation

GMM measures groups of contracts based on Fortress's estimates of the present value of future cash flows that are expected to arise as Fortress fulfills the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM). Fortress applies GMM for its gap coverage lines of business.

Insurance revenue in each reporting period represents the changes in the LRC that relate to services for which Fortress expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

For insurance contracts measured under the GMM, insurance revenue includes claims and other insurance service expenses as expected at the beginning of the reporting period.

Insurance acquisition cash flows are allocated to existing contracts on a systematic and rational basis.

- Fortress estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:
    - Information about claims already reported by policyholders;
    - Other information about the known or estimated characteristics of the insurance contracts;
    - Historical data about Fortress's own experience, supplemented, when necessary, with data from other sources. Historical data is adjusted to reflect current conditions; and
    - Current pricing when available.

When estimating future cash flows, Fortress includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims but not yet paid, incurrent claims but not yet reported, and expected future claims;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Transaction-based taxes.

The Corporation does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

In the event upon initial recognition whereby fulfillment cash flows are a net outflow and deemed onerous, the net outflow is recognized as a loss in the statement of comprehensive income. Fortress did not identify any facts or circumstances that might have indicated that a group of contracts measured under GMM had become onerous.

The risk adjustment in the insurance liability reflects the compensation that an insurer requires for bearing the uncertainty arising from non-financial risk. For insurance contracts issued, a portion of the risk adjustment for non-financial risk relating to the LRC is recognized in insurance revenue as the risk is released, while a portion relating to the LIC is recognized in insurance service expenses.

Finance expense and income from insurance and reinsurance contracts held, are presented separately from insurance revenue and insurance service expenses.

Similarly to PAA, income and expenses from reinsurance contracts other than finance income from reinsurance contracts held are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

c) Contractual service margin - measurement

Included in the GMM measurement model is the CSM. The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that Fortress will recognize as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses arising from:

- The initial recognition of the fulfilment cash flows (FCF); and
- Cash flows arising from the contracts in the group at that date.

Subsequently at the end of each reporting period Fortress adjusts the carrying amount of the CSM to reflect the effect of the following changes:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM, measured at the discount rates at initial recognition;
- Changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with a corresponding impact to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM; and
- The amount recognized as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

d) Contractual service margin – interest accretion

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

e) Contractual service margin – release

The amount of the CSM recognized in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which Fortress provides insurance contract services for an insured event (insurance coverage).

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Corporation uses the current face amount as the basis for the quantity of services and does not reflect the time value of money in the allocation of the CSM to coverage units for the determination of the services provided in the period.

f) Reinsurance contracts held – recognition, measurement and presentation

The Corporation measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue and counter party credit risk or non-performance by reinsurer.

If the Corporation recognized a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Corporation would establish a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Corporation would then calculate the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Corporation expects to recover from the group of reinsurance contracts held. The Corporation would use a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Corporation has established a loss-recovery component, the Corporation subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

g) PAA insurance contracts – subsequent measurement

Fortress measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

Plus premiums received in the period
Minus insurance acquisition cash flows Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognized as an expense in the reporting period for the group
Minus the amount recognized as insurance revenue for the services provided in the period

Fortress estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Corporation and include an explicit adjustment for non-financial risk (the risk adjustment).

The Corporation does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred. Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Corporation recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Corporation for the liability for remaining coverage for such onerous group depicting the losses recognized.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance service expenses).

h) Insured contracts acquired in a business combination in the scope of IFRS 3

Overview

Acquired Claims are treated as new insurance contracts issued by the Corporation at the date of their acquisition. The Corporation is deemed to have received a premium in consideration to cover adverse development and the settlement of future claims which is expected to be medium to long tail, and as a result the GMM must be applied.

Consequently, acquired direct claims are reclassified as a liability for remaining coverage (acquired ceded claims are reclassified as an asset for remaining coverage) in the acquirer's consolidated balance sheets.

Additionally, a loss component may be recognized after the acquisition if the Corporation pays claims later than initially anticipated.

There is a gross presentation in net income of insurance service revenue representing the liability for remaining coverage recognized over the claims settlement pattern and expenses representing the settlement of claims.

Contracts applying this model

Insurance contracts for the Fortress on October 1, 2024, and any future acquisitions.

Initial recognition (Acquisition date)

At initial recognition, the Corporation identifies the groups of contracts acquired based on the level of aggregation requirements as if it entered into the contracts at the date of the acquisition.

For measurement purposes, the consideration received or paid for the contracts is treated as a proxy for the premiums received and excludes any consideration for other assets and liabilities acquired in the same transaction. This consideration is deemed to be the contracts' fair value at the date of the acquisition.

The Corporation compares the fair value of acquired claims to its measurement of fulfilment cash flows related to the acquired claims. If the fair value exceeds the fulfilment cash flows, a contractual service margin is established at initial recognition. If the fulfilment cash flows exceed the fair value, the difference is treated as a loss component and adjusts the goodwill or gain on bargain purchase.

Subsequent measurement

The Corporation measures these contracts following the general measurement model ("GMM").

The liability for remaining coverage is released into net income over the coverage period based on coverage units provided during the period. Coverage units are based on the expected claims settlement pattern, as they expire:

- The contractual service margin is released into insurance revenue; and
- The loss component is released into insurance service expense.

As claims are settled, they are recognized as insurance service expense.

Since the expected settlement pattern is used to determine how insurance revenue will be recognized, any unexpected changes in payments beyond the reporting date such as developments in fulfilment cash flows or changes in timing, will be recognized within the contractual service margin or the loss component as follows:

- Unexpected increases will either erode any existing contractual service margin until exhausted and establish a loss component for the excess or will increase any existing loss component; and
- Unexpected decreases will either erode any existing loss component until exhausted and establish a contractual service margin for the excess or will increase any existing contractual service margin.

i) GMM insurance contracts – subsequent measurement

The subsequent measurement of FCF uses the same approach as described above for initial measurement, but with current inputs for each subsequent reporting date.

For contracts measured using the GMM, the measurement of the CSM subsequent to initial recognition is described below.

For groups of insurance contacts issued using the GMM, the CSM at the end of the reporting period is measured as the CSM at the beginning of the reporting period, adjusted for:

- The effect of any new contracts added;
- Interest accretion on the carrying amount of the CSM;
- The change in FCF relating to future service, except the extent that increases exceed the carrying amount of the CSM (giving risk to a loss), or decreases are allocated to the loss component of the LRC (reversing a prior loss); and
- The amount recognized as Insurance Revenue due to the performance of insurance contract services in the period ("CSM amortization").

For groups of reinsurance contracts held, the CSM at the end of the reporting period is measured as the CSM at the start of the reporting period, adjusted for:

- The effect of any new contracts added;
- Interest accretion on the carrying amounts of the CSM;
- Income recognized in the reporting period as a result of gains or losses recognized to offset gains or losses on groups of underlying direct contracts with no CSM;
- Reversals of a loss-recovery component to the extent those reversals are not changes in the FCF of the group of reinsurance contracts held;
- The change in FCF relating to future service, unless the change offsets a gain or loss on groups of underlying direct contracts with no CSM; and
- The amount recognized in income due to services received in the period.

j) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Corporation uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts and renewal contracts,
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

At the end of each reporting period, the Corporation assesses the recoverability of the insurance acquisition cash flows. If facts and circumstances suggest that the asset might be impaired, then quantitative analysis is performed to determine the amount of the impairment loss to recognize. The facts and circumstances relevant to this analysis consist of both qualitative and quantitative information. The following are some examples that might be considered relevant to facts and circumstances in the context of recoverability testing:

- Pricing analysis that could provide insight on current and prospective profitability;
- Relevant results from budget and forecasting; and/or
- Significant experience variances or other events that trigger an adverse change in expected future cash flows relative to previous expectations.

If an impairment loss is recognized, the carrying amount of the asset is adjusted and an impairment loss is recognized in profit or loss. The Corporation recognizes in profit or loss a reversal of some or all of an impairment loss previously recognized and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

k) Insurance contracts – modification and derecognition

The Corporation derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) or, the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Corporation derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the Corporation recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

IX. Presentation

The Corporation has presented separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance contracts issued that are liabilities (net of assets), and portfolios of reinsurance contracts held that are assets (net of liabilities).

The Corporation disaggregates the total amount recognized in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue, insurance service expenses, and net expenses from reinsurance contacts held. The Corporation does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Corporation separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

a) Insurance revenue

As Fortress provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that Fortress expects to be entitled to in exchange for those services.

For purposes of presentation and measurement, PAA and GMM contracts are further discussed in section VIII of this note.

b) Loss components

For contracts measured under PAA, the Corporation assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Corporation establishes a loss component.

For contracts measured under PAA where facts and circumstances indicate a loss component, or for contracts measured under GMM, the loss component is measured as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

c) Loss-recovery components

Where the Corporation recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Corporation establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

d) Insurance finance income and expense

Insurance finance income or expenses in the statement of profit (loss) and other comprehensive income (loss) comprise the change in the carrying amount of the group of insurance contracts arising from:

The effect of the time value of money and changes in the time value of money; and
The effect of financial risk and changes in financial risk.

e) Net income or expense from reinsurance contracts held

Fortress presents on the face of the statement of profit or loss the amounts expected to be recovered from reinsurers net of the reinsurance premiums paid. The Corporation treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Other income recognition

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

Investment income recognition

- *Investment return*

Investment return consists of dividends and interest receivable, movements in amortized cost on debt securities and other loans and receivables, realized gains and losses, and unrealized gains and losses on fair value assets.

- *Interest income*

Interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Corporation recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

- *Realized gains and losses*

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

- *Unrealized gains and losses*

Unrealized gains or losses represent the difference between the carrying value at the year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

Changes in accounting policies and disclosures

The Corporation adopted the amendments to IAS 1 – *Presentation of Financial Statements* on January 1, 2024. These amendments clarify how covenants with which an entity must comply on or before the reporting date affect the classification of a liability. They also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date. The amendments were applied retrospectively with no financial impact on these Consolidated financials statements.

IFRS 16 - *Leases*. In September 2022, the IASB issued amendments to IFRS 16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The adoption of this amendment, effective January 1, 2024, did not have a material impact on the Corporation's consolidated Financial Statements.

Standards issued but not yet effective

Classification and measurement of financial instruments, amendments to IFRS 7 and IFRS 9 – in July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards, Volume 11. These amendments will be effective January 1, 2026.

IFRS 18 – *Presentation and Disclosure in Financial Statements*. In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, disclosure of management defined performance measures, and principles for aggregation and disaggregation of financial information in the financial statements and the notes. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively.

IFRS 19 – *Subsidiaries without Public Accountability: Disclosures*. In May 2024, the IASB issued a new standard: IFRS 19, which reduces disclosure requirements for eligible subsidiary financial statements for reporting periods beginning on or after January 1, 2027. Early application is also permitted, and specific requirements apply if IFRS 19 is applied earlier than IFRS 18.

Western is currently assessing the impact that the amendments to IFRS 7 and IFRS 9, along with the introduction IFRS 18 and IFRS 19 will have on the Corporation's Consolidated financial statements and its related note disclosures. The Corporation has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

5 Accounting judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. If the underlying estimates and assumptions change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

Business combinations

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to intangible assets and liabilities for insurance contracts. Identified intangible assets are initially measured at fair value using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Liabilities for insurance contracts are based on estimates and assumptions used in actuarial calculations.

Actual results can be different from the estimates used. During the measurement period following the acquisition, the changes in the estimates that relate to new information obtained about facts and circumstances that existed as of the acquisition date, would have an impact on the amount of goodwill or gain on bargain purchase recognized. Any other changes in the estimates would be recognized in income.

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

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

Investment entities

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

Compound financial instruments

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

Impairment of investments in associates

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

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. Management believes that the regular payment of liabilities will be met out of cash, operating cash flows, available credit facilities, and, where necessary, by financial support from the shareholders, including Western.

As at December 31, 2024, certain of the Corporation's associates were not in compliance with financial covenants contained within their loans and borrowings (note 9). Each associate is carefully managing its capital to meet its obligations.

Fulfilment cashflows and estimates of cash flows

The Corporation establishes claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts held by the Corporation. The ultimate cost of claim liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Corporation's past claims development experience or industry past claims development experience, where applicable, can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by program and by accident year. Adjustments are made for any catastrophic claims that trigger the Corporation's catastrophe reinsurance agreements.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

Liability for Remaining Coverage Under the PAA (when onerous) and GMM – Estimate of Undiscounted Future Cash Flows

The Corporation's objective in estimating future cash flows is to ensure that they represent the probability-weighted (expected) value that is current, explicit, unbiased and incorporates all reasonable and supportable information about the timing and uncertainty of the cash flows.

Fortress utilizes a single deterministic scenario approach for determining the probability-weighted mean of its estimates of future cash flows. The risks associated with the products are largely symmetric in nature and therefore utilizing a single deterministic scenario is appropriate.

When estimating future cash flows, the Corporation includes all cash flows on a probability-weighted basis that are within the contract boundary. The Corporation incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

Valuation of incurred claims

At each balance sheet date estimates are made for incurred claims and the risk adjustment for non-financial risk. Incurred claims include claims reported by not yet paid as well as claims incurred but not reported ("IBNR"). In calculating the estimate for IBNR the Corporation uses a variety of estimation techniques based on a statistical analysis of historical experience, which assumes past trends can be used to project future developments. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the

Corporation's degree of risk aversion. The Corporation estimates an adjustment for non-financial risk separately from all other estimates.

The Margin Approach, as documented in the Canadian Institute of Actuaries Education Note "IFRS 17 – Risk Adjustment for Non-Financial Risk for Property and Casualty Insurance Contracts" is used to determine the risk adjustment for non-financial risk (RA). The RA was set at the actuarial line of business or program level. There were no changes in the margin percentages utilized for the LIC and AIC in the current year relative to the prior year.

The aggregate risk adjustment is calibrated to be above the 75% confidence level and to exceed the Corporation's cost of capital. The margins utilized within the Margin Approach are calibrated such that the aggregated level of confidence level is above the target confidence level and such that the RA produced utilizing the Margin Approach exceeds that produced in the Cost of Capital approach.

The confidence level of the risk adjustment for non-financial risk as at December 31, 2024, was 82.3%. The target confidence level for the risk adjustment for non-financial risk is to exceed 75%.

Discount rates

The estimates of future cash flows are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency, and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

The LIC under the PAA and GMM and the LRC under the PAA, when onerous, and GMM, are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium, where applicable.

The Corporation utilizes a bottom-up approach for setting discount rates and locked-in rates under IFRS 17 based on the methodology outlined in the Canadian Institute of Actuaries ("CIA") Education Note "IFRS 17 Discount Rates and Cash Flow Considerations for Property and Casualty Insurance Contracts". This CIA Education Note develops a series of discount curves known as the "Illiquid CIA Reference Curve" and "Liquid CIA Reference Curve", or collectively the "CIA Reference Curves".

The Corporation selected the CIA Reference Curves as its chosen discount rate approach due to simplicity, readily available data and due to the size, nature and scale of the Corporation. The discount rates that the Corporation utilizes are the forward rates from the CIA Reference Curves.

The CIA Reference Curves source the risk-free rates from Government of Canada Bonds and Treasury Bills. The illiquidity premiums are developed based on a formulaic approach that utilizes a proportion of provincial bond spreads for the "Liquid CIA Reference Curve" and a proportion of corporate bond spreads plus a constant for the "Illiquid CIA Reference Curve".

The LIC and AIC are both considered highly illiquid and utilize the "Illiquid CIA Reference Curve" for discounting purposes. The LRC for GMM business and for PAA business, when onerous, are both considered liquid and utilize the "Liquid CIA Reference Curve" for discounting purposes.

The locked-in discount rates for a group of insurance contracts are equal to the CIA reference curve at the start of the calendar year for each annual cohort. Two exceptions are noted, namely the 2024 MotoMaxx GMM group, which utilizes the May 31, 2024, CIA liquid curve due to sales starting in June 2024 and the acquired LIC and AIC, as of October 1, 2024, which utilize the September 30, 2024, CIA illiquid curve.

The discount rates applied for discounting the future cash flows are listed below:

As at December 31, 2024	1 year	3 years	5 years	10 years
Insurance contract liabilities - illiquid	3.82	4.12	4.68	5.52
Insurance contract liabilities - liquid	3.03	3.15	3.77	4.86
Reinsurance contracts held - illiquid	3.82	4.12	4.68	5.52
Reinsurance contracts held - liquid	3.03	3.15	3.77	4.86

Contract Boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of Fortress's substantive rights and obligations under the contract. Moreover, specific to insurance and reinsurance contracts there is an assessment of whether the contract transfers significant insurance risk, identification of portfolios of contracts, determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently and applying techniques for estimating risk adjustments for non financial risk.

Coverage units

Recognition of deferred profit in Net Income through the amortization of the contractual service margin is dictated by coverage units which quantify the amount of insurance service provided in any given period. The coverage units are equal to the future exposure for the product. The future exposure is equal to the escalated purchase price minus the depreciated value of the vehicle at each point in time. The Corporation has elected not to discount the coverage units.

Share-based payments

Estimating the fair value for share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the options, volatility and dividend yield and making assumptions about them. The Corporation initially measures the fair value of equity-settled transactions with employees and directors at the grant date (or at the acquisition date for options acquired in the business combination) using the Black-Scholes pricing model. The assumptions used for estimating the fair value for share-based transactions are disclosed in notes 16 and 17.

Recognition of deferred tax assets

In accordance with IAS 12, a deferred tax asset can only be recognized if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Management has used judgment in assessing that it is probable that the entity will have sufficient taxable profits before the unused tax losses or unused tax credits expire.

Assumption and Estimates Uncertainties

In addition to the judgements outlined above, other assumptions and estimation uncertainties as at December 31, 2024, may have a material impact on the carrying amounts of assets and liabilities in the next financial year including measurement of the fair value of financial instruments.

When the fair values of financial instruments recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financials instruments.

6 Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, accounts receivable, investments, due from related parties, operating loan, accounts payable and accrued liabilities, loan from related party and convertible debentures.

Financial assets

Carrying amount by classification

	2024 $	2023 $
FVPL carried at fair value	6,891,548	419,288
FVOCI carried at fair value	5,739,256	-
Carried at amortized cost	48,563,725	5,610,836
	61,194,529	6,030,124

Carrying amount by asset type

	2024	2023
	$	$
Debt securities (measured at FVOCI)		
Provincial and Government of Canada bonds	3,684,885	-
Corporate bonds	2,054,371	-
	5,739,256	-
Equities (measured at FVPL)		
Common shares	1,763,851	-
Preferred shares	872,071	-
	2,635,922	-
Short-term investments (measured at FVPL)		
Listed	3,486,032	-
Loan with related party (measured at FVPL)	769,594	419,288
Other (Measured at amortized cost)		
Loans and amounts due from related parties	5,192,304	4,979,476
Cash and cash equivalents	43,245,301	618,673
Accounts receivable	50,263	12,687
Accrued interest receivable	75,857	-
Total financial assets	61,194,529	6,030,124
Within one year	50,993,328	631,360
More than one year	10,201,201	5,398,764

Debt securities bear interest at rates ranging from 0.00% to 6.03% and mature or will be called between December 2025 and December 2034.

Movements in carrying amount of investments

	FVPL	FVOCI	Total
	$	$	$
At October 1, 2024	6,870,156	5,765,435	12,635,591
Additions in securities and cash	285,052	148,399	433,451
Maturities and redemptions	(852,445)	-	(852,445)
Disposals	(273,421)	(156,493)	(429,914)
Net gain	92,612	(18,085)	74,527
At December 31, 2024	6,121,954	5,739,256	11,861,210

Fair value

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

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

				2024				2023
	Level 1 $	Level 2 $	Level 3 $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Debt securities								
Government bonds	-	3,684,885	-	3,684,885	-	-	-	-
Corporate bonds	-	2,054,371	-	2,054,371	-	-	-	-
Equity securities								
Common shares	1,763,851	-	-	1,763,851	-	-	-	-
Preferred shares	872,071	-	-	872,071	-	-	-	-
Short term investments	3,486,032	-	-	3,486,032	-	-	-	-
Loan to related parties	-	-	769,594	769,594	-	-	419,288	419,288
	6,121,954	5,739,256	769,594	12,630,804	-	-	419,288	419,288

There were no transfers between Level 1 and Level 2 during 2024. The loan to related parties is the Foothills shareholder loan measured at fair value through profit or loss (note 25). All other loans to related parties are measured at amortized cost and their carrying value approximates their fair value. Loans to related parties also include the GlassMasters promissory note which is included in investment in associates (note 9).

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

7 Insurance and reinsurance results

The following tables show the changes in the net assets or liabilities for insurance contracts issued and reinsurance contracts held. The tables that illustrate changes by measurement component exclude insurance contracts measured using the PAA. The tables that illustrate changes by Remaining Coverage and Incurred Claims include insurance contracts measured using the PAA.

Insurance Contracts Issued by Measurement Component

The following table shows the changes in liabilities for insurance contracts issued by measurement component:

December 31, 2024	Expected Present Value of Future Cash Flows	Risk Adjustment	CSM	Total
Beginning of Period				
Opening Balance Insurance Contract Assets	-	-	-	-
Opening Balance Insurance Contract Liabilities	-	-	-	-
Net Opening Insurance Contract Balances	**-**	**-**	**-**	**-**
Changes in the Statement of Profit or Loss and OCI				
Contractual service margin recognized for service provided	-	-	(301,857)	(301,857)
Change in risk adjustment for non-financial risk expired	-	(179,841)	-	(179,841)
Experience adjustments	(1,619,804)	-	-	(1,619,804)
Revenue recognized for incurred policyholder tax expenses	-	-	-	-
Current Service Provided in the Period	**(1,619,804)**	**(179,841)**	**(301,857)**	**(2,101,502)**
Contracts initially recognized in the period	8,092,422	2,226,604	3,574,808	13,893,834
Changes in estimates that adjust the CSM	(1,069,169)	(401,911)	1,471,080	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	-	-
Future Service yet to be Provided	**7,023,253**	**1,824,693**	**5,045,888**	**13,893,834**
Adjustments to liabilities for incurred claims	-	-	-	-
Experience adjustments not related to incurred claims	-	-	-	-
Past Service Provided in the Prior Periods	**-**	**-**	**-**	**-**
Insurance service result	**5,403,449**	**1,644,852**	**4,744,031**	**11,792,332**
Net finance (income) expenses from insurance contracts	**345,871**	**20,861**	**30,558**	**397,290**
Effects of movements in exchange rates	-	-	-	-
Total Changes in the Statement of Profit or Loss and OCI	**5,749,319**	**1,665,713**	**4,774,589**	**12,189,622**
Cash Flows				
Premiums Received for Insurance Contracts	22,723,662	-	-	22,723,662
Claims, Benefits and Other Expenses Paid	(1,720,205)	-	-	(1,720,205)
Insurance Acquisition Cash Flows	(8,971,065)	-	-	(8,971,065)
Total Cash Flows	**12,032,392**	**-**	**-**	**12,032,392**
Other Changes in the Net Carrying Amount of the Insurance Contract Liabilities	-	-	-	-
Net Ending Insurance Contract Balances	**17,781,711**	**1,665,713**	**4,774,589**	**24,222,013**
End of Period				
Ending Balance Insurance Contract Assets	-	-	-	-
Ending Balance Insurance Contract Liabilities	17,781,711	1,665,713	4,774,589	24,222,013
Net Ending Insurance Contract Balances	**17,781,711**	**1,665,713**	**4,774,589**	**24,222,013**

Insurance Contracts Issued by Remaining Coverage and Incurred Claims

The following table shows the changes in liabilities for remaining coverage and incurred claims for insurance contracts issued:

December 31, 2024	Liability for remaining coverage (PAA and GMM)		Liability for Incurred Claims			
Insurance contracts issued	**Excluding loss component**	**Loss component**	**Contracts under GMM**	**Estimates of PV of future cash flows**	**Risk adjustment for non-fiancial risk (PAA)**	**Total**
Opening insurance contract liabilities	-	-	-	-	-	-
Opening insurance contract assets	-	-	-	-	-	-
Net Balance as at January 1	**-**	**-**	**-**	**-**	**-**	**-**
Insurance revenue	**(8,142,078)**	**-**	**-**	**-**	**-**	**(8,142,078)**
Insured claims and other insurance service expenses	-	-	1,794,898	55,070	-	1,849,968
Amortization of insurance acquisition cash flows	1,481,964	-	-	-	-	1,481,964
Adjustments to liabilities for incurred claims	-	-	-	3,954,798	195,754	4,150,552
Losses and reversal of losses on onerous contracts	-	-	-	-	-	-
Insurance service expenses	**1,481,964**	**-**	**1,794,898**	**4,009,867**	**195,754**	**7,482,484**
Insurance service result	**(6,660,114)**	**-**	**1,794,898**	**4,009,867**	**195,754**	**(659,595)**
Finance (income) expense from insurance contracts issued	397,290	-	-	(889,687)	-	(492,397)
Total amounts recognized in income (loss)	**(6,262,825)**	**-**	**1,794,898**	**3,120,181**	**195,754**	**(1,151,992)**
Cash flows						
Premiums received	48,224,542	-	-	-	-	48,224,542
Claims and other directly attributable expenses	-	-	(3,289,664)	1,309,309	-	(1,980,355)
Insurance acquisition cash flows	(12,556,595)	-				(12,556,595)
Total cash flows	**35,667,947**	**-**	**(3,289,664)**	**1,309,309**	**-**	**33,687,591**
Investment component excluded from insurance revenue and insurance service expense						
Expected / Incurred Claims	(1,494,766)	-	1,494,766	**-**	**-**	**-**
Total investment component excluded from insurance revenue and insurance service expense	**(1,494,766)**	**-**	**1,494,766**	-	-	-
Closing insurance contract liabilities	27,910,356	-	-	4,429,490	195,754	32,535,600
Closing insurance contract assets	-	-	-	-	-	-
Net balance as at December 31	**27,910,356**	**-**	**-**	**4,429,490**	**195,754**	**32,535,600**

1 As at December 31, 2024, $12,017,695 of the LRC relates to acquired claims.

Reinsurance Contracts Held by Measurement Component

The following table shows the changes in assets for reinsurance contracts held by measurement component:

December 31, 2024	Expected Present Value of Future Cash Flows	Risk Adjustment	CSM	Total
Beginning of Period				
Opening Balance Reinsurance Contract Held Assets	-	-	-	-
Opening Balance Reinsurance Contract Held Liabilities	-	-	-	-
Net Opening Reinsurance Contract Held Balances	**-**	**-**	**-**	**-**
Changes in the Statement of Profit or Loss and OCI				
Contractual service margin recognized for service received	-	-	(229,636)	(229,636)
Change in risk adjustment for non-financial risk expired	-	(117,080)	-	(117,080)
Experience adjustments	(1,449,942)	-	-	(1,449,942)
Incurred Policyholder Tax Expenses on Underlying Contracts	-	-	-	-
Current Service Provided in the Period	**(1,449,942)**	**(117,080)**	**(229,636)**	**(1,796,658)**
Contracts initially recognized in the period	7,739,627	1,666,752	2,187,864	11,594,242
Changes in estimates that adjust the CSM	(1,202,343)	(197,529)	1,399,872	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	-	-	-	-
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-
Future Service yet to be Provided	**6,537,284**	**1,469,223**	**3,587,735**	**11,594,242**
Adjustments to assets for incurred claims	-	-	-	-
Experience adjustments not related to incurred claims	-	-	-	-
Past Service Provided in the Prior Periods	**-**	**-**	**-**	**-**
Net Expense from Reinsurance Contracts Held	**5,087,342**	**1,352,143**	**3,358,099**	**9,797,584**
Net finance (income) expenses from reinsurance contracts held	**260,317**	**29,778**	**19,740**	**309,834**
Effects of movements in exchange rates	**-**	**-**	**-**	**-**
Total Changes in the Statement of Profit or Loss and OCI	**5,347,658**	**1,381,921**	**3,377,839**	**10,107,418**
Cash Flows				
Premiums Paid	5,838,909	-	-	5,838,909
Amounts Received	(1,442,114)	-	-	(1,442,114)
Reinsurance Acquisition Cash Flows	-	-	-	-
Total Cash Flows	**4,396,795**	**-**	**-**	**4,396,795**
Other Changes in the Net Carrying Amount of the Reinsurnace Contracts Held	-	-	-	-
Net Ending Reinsurance Contract Held Balances	**9,744,453**	**1,381,921**	**3,377,839**	**14,504,213**
End of Period				
Ending Balance Reinsurance Contract Held Assets	9,744,453	1,381,921	3,377,839	14,504,213
Ending Balance Reinsurance Contract Held Liabilities	-	-	-	-
Net Ending Reinsurance Contract Held Balances	**9,744,453**	**1,381,921**	**3,377,839**	**14,504,213**

Reinsurance Contracts Held by Remaining Coverage and Incurred Claims

The following table shows the changes in assets for remaining coverage and incurred claims for reinsurance contracts held.

December 31, 2024	**Asset for Remaining Coverage (PAA and GMM)**		**Assets for Incurred Claims**			
Reinsurance contracts held	**Excluding loss recovery component**	**Loss recovery component**	**Contracts under GMM**	**Estimates of PV of future cash flows (PAA)**	**Risk adjustment (PAA)**	**Total**
Opening reinsurance contract held assets	-	-	-	-	-	-
Opening reinsurance contract held liabilities	-	-	-	-	-	-
Net balance as at January 1	**-**	**-**	**-**	**-**	**-**	**-**
Allocation of reinsurance premiums	(6,721,113)	-	-	-	-	(6,721,113)
Claims recovered	-	-	1,189,405	298,059	-	1,487,463
Other incurred directly attributable expenses	-	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	-	4,514,179	141,191	4,655,370
Net income (expense) from reinsurance contracts held	**(6,721,113)**	**-**	**1,189,405**	**4,812,237**	**141,191**	**(578,280)**
Finance income (expense) from reinsurance contracts held	309,834	-	-	80,430	-	390,264
Total amounts recognized in income (loss)	**(6,411,279)**	**-**	**1,189,405**	**4,892,668**	**141,191**	**(188,016)**
Cash flows						
Premiums paid net of ceding commissions						-
and other directly attributable expenses	25,710,722	-	-	-	-	25,710,722
Recoveries from reinsurance	-	-	(2,557,013)	(2,012,014)	-	(4,569,027)
Total cash flows	**25,710,722**	**-**	**(2,557,013)**	**(2,012,014)**	**-**	**21,141,695**
Investment component excluded from reinsurance						
contract held net income (expense)						
Expected / incurred claims	(1,367,608)	-	1,367,608	-	-	-
Total investment component excluded from						
reinsurance contract held net income (expense)	**(1,367,608)**	**-**	**1,367,608**	**-**	**-**	**-**
Closing reinsurance contract held assets	17,931,834	-	-	2,880,653	141,191	20,953,679
Closing reinsurance contracts held liabilities	-	-	-	-	-	-
Net balance as at December 31	**17,931,834**	**-**	**-**	**2,880,653**	**141,191**	**20,953,679**

1 As at December 31, 2024, $10,054,502 of the ARC relates to acquired claims.

Analysis of Insurance Revenue

For the year ended and as at December 31,	**2024**
For Contracts Not Measured Using the PAA:	
Amounts Relating to Changes in Liabilities for Remaining Coverage	
Expected Claims and Other Expenses	1,845,243
Release of Risk Adjustment	179,841
CSM Recognized for Services Provided	301,856
Premium Experience Adjustments	-
Amortization of Insurance Acquisition Cash Flows	141,769
Total Insurance Revenue for Contracts Not Measured Using the PAA	2,468,709
For Contracts Measured Using the PAA:	
Insurance Revenue	5,673,369
Total Insurance Revenue	8,142,078

Analysis of Insurance Service Expenses

For the year ended and as at December 31,	**2024**
Incurred Claims	1,627,055
Directly Attributable Operating Expenses and Commissions	87,996
Total Incurred Claims and Other Expenses	1,715,051
Amortization of Insurance Acquisition Cash Flows	141,768
Insurance Acquisition Cash Flows Expensesd as Incurred	1,340,195
Changes Related to Future Service (Losses on Onerous Groups and Reversals of Such Losses)	-
Changes Related to Past Service (Changes in FCF related to Liability for Incurred Claims)	4,285,470
Total Insurance Service Expenses	**7,482,484**

Contracts Initially Recognized in the Period – Insurance Contracts Issued

The table below illustrates the effect on the Statement of Financial Position of insurance contracts initially recognized during the period, excluding contracts measured using the PAA.

For the years ended and as at December 31,	**2024**
Insurance Contracts Issued	
Contracts Initially Recognized in the Period:	
Amounts Related to All Contracts Initially Recognized:	
Estimates of Present Value of Future Cash Inflows	(36,563,329)
Estimates of Present Value of Future Cash Outflows	30,761,917
Insurance Acquisition Cash Flows	8,971,067
Other Cash Outflows	21,790,851
Risk Adjustment	2,226,604
CSM	3,574,808
Total Contracts Initially Recognized in the Period	-
Amounts Related to Onerous Contracts Included in Total Contracts Above:	
Estimates of Present Value of Future Cash Inflows	-
Estimates of Present Value of Future Cash Outflows	-
Insurance Acquisition Cash Flows	-
Other Cash Outflows	-
Risk Adjustment	-
Total Onerous Contracts	-

Contracts Initially Recognized in the Period – Reinsurance Contracts Held

The table below illustrates the effect on the Statement of Financial Position of insurance contracts initially recognized during the period, excluding contracts measured using the PAA.

For the years ended and as at December 31,	**2024**
Reinsurnace Contracts Held	
Contracts Initially Recognized in the Period:	
Amounts Related to All Contracts Initially Recognized:	
Estimates of Present Value of Future Cash Inflows	(19,237,054)
Estimates of Present Value of Future Cash Outflows	21,580,672
Premiums and Other Expenses	10,741,929
Insurance Acquisition Cash Flows	-
Risk Adjustment	(155,754)
CSM	(2,187,864)
Total Contracts Initially Recognized in the Period	-
Amounts Related to Contracts Initially Recognized in the Period with a Loss Recovery Component Included in Total Contracts Above:	
Estimates of Present Value of Future Cash Inflows	-
Estimates of Present Value of Future Cash Outflows	-
Premiums and Other Expenses	-
Insurance Acquisition Cash Flows	-
Risk Adjustment	-
Total Reinsurance Contracts Held with a Loss Recovery Component	-
Loss Recoveries at Initial Recognition of Onerous Underlying Contracts	-

CSM Recognition Timing

The following tables set out the expected recognition of the CSM for insurance contracts issued and reinsurance contracts held.

For the years ended and as at December 31,	**2024**
Insurance Contracts Issued (000s)	
Within 1 Year	1,277,678
1 - 3 Years	1,771,380
3 - 5 Years	1,447,830
5 - 10 Years	277,701
Over 10 Years	-
Total	4,774,589

For the years ended and as at December 31,	**2024**
Reinsurance Contracts Held (000s)	
Within 1 Year	953,601
1 - 3 Years	1,234,961
3 - 5 Years	982,896
5 - 10 Years	206,381
Over 10 Years	-
Total	3,377,839

8 Intangible assets

	Licenses $	Broker Relationships $	Data management system $	Total $
Cost				
Business combination October 1, 2024 (note 10)	1,110,000	650,000	175,610	1,935,610
Additions	-	-	24,090	24,090
At December 31, 2024	1,110,000	650,000	199,700	1,959,700
Accumulated amortization				
At October 1, 2024	-	-	-	-
Amortization	-	23,214	35,978	59,192
At December 31, 2024	-	23,214	35,978	59,192
Net carrying amounts at December 31, 2024	1,110,000	626,786	163,722	1,900,508

The Data Management System has a useful life of 2 years, and the broker relationships have a useful life of 7 years. Amounts incurred related to the acquisitions of insurance licenses are considered to have an indefinite life.

9 Investments in associates

The investments in associates balance consists of the following:

	2024 $	2023 $
Western's interest in Fortress Insurance Company	-	2,726,191
Western's interest in Foothills Creamery Ltd.	2,573,167	2,842,164
Western's interest in Golden Health Care	4,820,146	4,711,339
Western's interest in GlassMasters ARG Autoglass Two Inc.	8,832,693	8,188,455
	16,226,006	18,468,149

a) Nature of investments in associates

GlassMasters ARG Autoglass Two Inc.

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

In 2022, the shareholders of GlassMasters passed a special resolution to distribute $8 million in capital to shareholders by way of reducing the stated capital on the Class A common shares. The distribution has been treated as a return of paid-up capital for tax purposes and was paid by the issuance of a five-year-term promissory note. The return of capital and related promissory note related to Western's shareholdings was $4,658,559. Terms on the note include a five-year term, with automatic renewal for a period of five years upon each maturity date, unless the directors of GlassMasters otherwise determine. The next automatic renewal date is March 31, 2027. The interest rate will be set by the Board of Directors of GlassMasters from time to time and was set at 14% for the fiscal year 2024 (2023 – 10%). During the year ended December 31, 2024, $652,199 of interest was earned and received related to this note (2023 – $465,856). This promissory note is considered part of Western's net investment in GlassMasters.

Western has entered into a put/call agreement in regards to its partner's 37% interest in GlassMasters, in which Western's partner has the option to require Western to purchase their 37% interest, or Western has the option to require their partner to sell to Western. The Corporation has deemed the fair value of this agreement to be nil as at December 31, 2024, and 2023. The agreement may be exercised on February 1 on each of 2024, 2028, 2032, or 2036.

Golden Health Care group of companies

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

The financial statement reporting date for Golden is August 31; however, the Corporation records equity income aligned with its own reporting periods. Golden's covenants are reported to its lender once per year as at August 31. As at August 31, 2024, one of the homes was in breach of a covenant under the terms of its mortgage agreement. During the reporting period, and to date, the bank has not indicated any intention to call the loans. In April 2024, Golden's lender renewed the facilities at two of the homes, including the one in breach.

Foothills Creamery Ltd.

The Corporation holds a 49% interest in Foothills, which was acquired in 2018. Western appoints two of seven directors of the Board of Directors and, as such, has the ability to exercise significant influence but not control over Foothills and, accordingly, the Corporation is using the equity method to account for this investment.

As at December 31, 2024, Foothills was in breach of its covenants with its lender. An agreement was made with the lender via a letter of comfort dated November 28, 2024, for shareholders to provide an equity cure payment of $250,000 in December. This payment was made by Western on December 6, 2024, and was included in the shareholder loan balance due from Foothills. A second equity cure payment is expected to be required in 2025, 15 days after the 2024 financial statements have been completed. Foothills will work with its lender to renegotiate the terms of the loans before their expiration date in August 2025. The shareholders of Foothills, including Western have committed to supporting Foothills with liquidity in the event the covenants are breached.

The covenant breach was an indicator of impairment, and Western completed an impairment test on the investment in Foothills. Impairment was tested with the use of a discounted cash flow model, based on projected financial results over the next 5 years using managements assumptions. The test indicated no impairment. This test is dependent on the assumption that the Foothills lender will continue to provide financing under their current agreement, and comfort letter noted above.

Western has entered into a put/call agreement in regards to its partner's 38% interest in Foothills, in which Western's partner has the option to require Western to purchase their 38% interest, or Western has the option to require their partner to sell to Western. The Corporation has deemed the fair value of this agreement to be nil as at December 31, 2024, and 2023. The agreement is in place until April 30, 2026.

Fortress Insurance Company

For the year ended December 31, 2023, and up to the acquisition date, October 1, 2024, the Corporation held a 28% interest in Fortress. Western appointed two of eight directors to the Board of Directors and, as such, had the ability to exercise significant influence but not control over Fortress and, accordingly, the Corporation used the equity method to account for this investment. As at October 1, 2024, through a share acquisition, the Corporation obtained control over Fortress becoming a subsidiary of Western (note 10).

In association with the acquisition of control of Fortress on October 1, 2024, Fortress ceased to be an associate. A gain on disposal was recognized in the amount of $2.6 million on the revaluation of this portion of our investment in Fortress to its fair value at the acquisition date.

b) Summarized financial information for associates

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

Summarized financial information as at December 31, 2024, and for the year then ended

	GlassMasters $	Golden $	Foothills $	Fortress[1] $
Current assets	8,624,097	1,561,114	8,667,908	-
Non-current assets	20,789,201	17,150,386	22,949,199	-
Current liabilities	8,102,575	1,310,716	23,633,271	-
Non-current liabilities	14,151,332	9,708,631	2,615,471	-
Net assets	7,159,391	7,692,153	5,368,365	-
Revenue	42,486,026	10,237,692	35,731,916	17,778,333
Total net income and comprehensive income	1,112,431	658,883	(536,696)	529,499

1) Fortress ceased to be an associate on Oct 1, 2024. Revenue and net income are for the nine-month period ended September 30, 2024, for which Fortress was an associate of Western.

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

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

c) Reconciliation of investments in associates' carrying value

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

Reconciliation of the carrying amount for the year ended December 31, 2024

	GlassMasters $	Golden $	Foothills $	Fortress $	Total $
Western's ownership interest	55%	25.0% – 30.0%	49%	28%[1]	
Investments in associates as at December 31, 2023	8,188,455	4,711,339	2,842,164	2,726,191	18,468,149
Share of dividends paid out	-	(90,000)	-	-	(90,000)
Loss on dilution	-	-	(9,102)	-	(9,102)
Share of net income (loss)	644,238	198,807	(259,895)	150,628	733,778
Disposal of associate	-	-	-	(2,876,819)	(2,876,816)
Investments in associates as at December 31, 2024	8,832,693	4,820,146	2,573,167	-	16,226,006

1) Fortress ceased to be an associate on October 1, 2024. Ownership percentage is until the acquisition on October 1, 2024.

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

	GlassMasters $	Golden $	Foothills $	Fortress $	Total $
Western's ownership interest	55%	25.0% – 30.0%	49%	28%	
Investments in associates as at December 31, 2022	7,529,849	4,781,768	2,450,120	2,575,686	17,337,423
Gain on dilution	-	-	485	-	485
Share of dividends paid out	-	(105,000)	-	-	(105,000)
Share of net income	658,606	34,571	391,559	150,505	1,235,241
Investments in associates as at December 31, 2023	8,188,455	4,711,339	2,842,164	2,726,191	18,468,149

10 Business combination

On October 1, 2024, the Corporation completed the acquisition of Fortress ("the Acquisition"). Prior to the Acquisition, the Corporation held a 28% interest in the shares of Fortress. The Corporation issued 25,193,922 to acquire an additional 56% interest of Fortress, thereby increasing its total ownership interest to 84%. The

Corporation acquired Fortress because it fulfills our strategy to invest our capital in great Canadian businesses and our shift toward a focus on property and casualty insurance.

The Acquisition has been accounted for as a business combination under IFRS 3 whereby the Corporation was identified as the acquirer and Fortress as the acquiree. The Corporation has elected to measure the non-controlling interest at its proportionate share of the fair value of the acquiree's net identifiable assets.

The following table summarizes the total consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed at the date of acquisition.

Purchase consideration	$
Share Consideration	10,581,447
Fair value of previously held equity interest in Fortress	5,460,108
Non-controlling interests	2,758,569
	18,800,124
Net identifiable assets acquired (liabilities assumed)	
Assets	
Cash and cash equivalents	10,039,572
Investments	12,635,591
Receivables	68,243
Prepaid assets	351,229
Reinsurance contract assets	12,593,518
Property, plant and equipment	35,509
Intangible assets	1,935,610
Income taxes recoverable	42,136
	37,701,408
Liabilities	
Deferred tax liability	(397,975)
Account payable	(616,246)
Fronting payable	(1,817,324)
Due to related parties	(211,284)
Insurance contract liabilities	(23,552,367)
	26,595,196
Total identifiable net assets at fair value	**11,106,212**
Goodwill arising on acquisition	**7,693,912**

Goodwill arising from the acquisition represents future income and growth, and other intangibles that do not qualify for separate recognition. Intangible assets acquired include a data management system and licenses, which were valued by the cost approach, based on replacement cost; and broker relationships, which were valued by the income approach using the present value of the after-tax cash flows attributable to the relationships. Goodwill is not deductible for tax purposes.

Non-controlling interest is calculated as $1,824,653 based on the percentage of net assets acquired plus $933,916 for the fair value of outstanding Fortress's employee stock options that had vested as at the acquisition date. Fair value was determined with the Black Scholes option pricing model. Settlement of the employee option plan will be made with Western shares.

A gain of $2.6 million was recognized from remeasuring the Corporation's equity interest in Fortress held just prior to the business combination to fair value.

From the date of acquisition through December 31, 2024, Fortress contributed $8.1 million to the Corporation's insurance revenue and losses of $244,227 to total comprehensive loss for the year. If the acquisition had occurred on January 1, 2024, insurance revenue would have been $23.9 million and consolidated total comprehensive income for the year would have been $1.5 million.

At December 31, 2024, Western acquired the remaining 16.4% of Fortress shares for $3.5 million, paid for with a combination of $2.2 million in cash and 2.125 million of Western shares at a fair value of $1.3 million. The Corporation incurred a loss, recorded directly to equity, of $1.7 million on the acquisition of $1.8 million in non-controlling interest.

Transaction costs relating to the Acquisition of $187,107 were expensed as incurred.

11 Collateral

The Corporation is currently the beneficiary of two standby letters of credit issued by the Bank of Montreal in the amount of $2,300,000 ($nil – December 31, 2023) associated with Prairie View Holdings Ltd and with Arch Reinsurance Ltd in the amount of $2,050,000 ($nil – December 31, 2023). Additionally, the Corporation holds cash from Prairie View Holdings to cover any amount needed as collateral in excess of the aforementioned letter of credit. As of December 31, 2024, the Corporation held $213,891 ($nil – December 31, 2023).

12 Operating loan

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

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

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

c) an assignment of material contracts; and

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

As at December 31, 2024, $nil was drawn on the facility (2023 – $nil).

13 Convertible debentures

On December 1, 2023, the Corporation closed a private placement of new convertible debentures, and an issuer bid for the exchange of its existing convertible debentures. In line with this closing, $2.875 million in existing debentures that were due to mature on March 31, 2024 (“2024 Debentures”) were exchanged for the new issuance of debentures that mature on December 31, 2025 (“2025 Debentures”). $1.125 million in 2024 Debentures were held to maturity and were repaid on March 31, 2024. The equity component of the 2024 Debentures was reclassified to contributed surplus in the amount of $222,268. In addition to the exchange, $2.125 million in additional 2025 Debentures were issued, bringing the total face value of 2025 Debentures issued to $5 million.

In line with the exchange of 2024 Debentures, it was determined that there was a substantial modification of terms on the financial liability. As such, the exchange was accounted for as an extinguishment of debt and the recognition of a new financial liability. In the year ended December 31, 2023, a $205,594 loss on debt settlement was recognized in line with this transaction. The 2023 transaction incurred $256,666 in transaction costs, $201,601 of which were allocated to the exchange (contributing to the loss on debt settlement), and $55,065 was allocated against the carrying value of the liability and equity components of the 2025 Debentures.

As at December 31, 2024, the Corporation has issued $5.0 million of unsecured convertible 2025 Debentures with a principal value of $1,000 each. Each 2025 Debenture is convertible into common shares of Western at a conversion price of $0.48 per share at the holder’s discretion. The 2025 Debentures mature on December 31, 2025, and bear interest at the rate of 9.6% per annum, payable semi-annually at the end of March and September. If the closing price of Western’s shares on the TSX Venture Exchange is $0.65 or greater for 20 consecutive trading days, Western may, at its option, force the conversion of the 2025 Debentures into common shares.

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

14 Loan from related party

The Corporation holds a $1.005 million shareholder loan from Golden (2023 – $1.095 million). The loan bears interest at 6.09% annually, payable with monthly interest only and matures annually on January 31 with automatic annual renewal if all amounts of interest owing are not in default. There have been no amounts in default since the inception of the loan and there are no financial covenants affecting the loan. The Corporation has signed a share pledge agreement with respect to its interest in Golden as security for the loan. During the year ended December 31, 2024, Golden declared and paid dividends to its shareholders. Western’s share of the dividend was $90,000 and was applied to the outstanding balance of the loan.

15 Capital management

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

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

The Corporation's objectives when managing capital are:

- to maintain a flexible capital structure, which optimizes the cost of capital and acceptable risk; and
- to maintain investor, creditor and market confidence in order to sustain the future development of the business.
- to maintain compliance with minimum capital requirements under statutory insurance legislation.

The Corporation is subject to certain requirements and restrictions under statutory insurance legislation in Alberta, which apply to the regulated insurance company of Fortress. Property and casualty insurance companies must maintain minimum levels of capital as determined in accordance with a prescribed test, the minimum capital test ("MCT"), which expresses available capital (actual capital plus or minus specified adjustments) as a percentage of required capital. Dividend restrictions are also regulated. Management is not aware of any non-compliance with legislation during the year.

16 Share capital

Authorized

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

Issued

There are no preferred shares issued to date. The following is a summary of the common shares issued for the years ended December 31, 2024, and 2023.

	Number of shares	Amount $
Balance – December 31, 2022	30,287,756	15,688,381
Share repurchase	(80,000)	(41,438)
Balance – December 31, 2023	30,207,756	15,646,943
Shares issued in private placement	75,000,000	12,347,481
Shares issued in rights exercise	15,742,365	6,256,422
Shares issued in Fortress acquisition	27,318,922	11,920,197
Balance – December 31, 2024	148,269,043	46,171,043

On October 1, 2024, the Corporation issued 25,193,922 in line with the acquisition of 55.3% of Fortress as discussed in note 10.

On December 19, 2024, the Corporation closed a private placement and issued 75,000,000 shares for gross proceeds of $30 million. Transaction costs relating to this transaction of $897,519, were capitalized to equity. Each unit subscribed to in the private placement included one common share and one share purchase warrant. Each warrant will be exercisable to purchase one additional common share for a period of 5 years from the date of closing at an exercise price of $0.47. The fair value of the warrants, as determined by the Black-Scholes option pricing model, was $16.8 million and is included in contributed surplus. As at December 31, 2024, all 75 million warrants remained outstanding.

On December 5, 2024, the Corporation closed a rights offering, issuing 15,742,365 shares at $0.40 per common share for gross proceeds of $6.3 million. $40,524 in transaction costs related to this offering were capitalized to equity.

On December 31, 2024, 2,125,000 common shares were issued in line with the acquisition of the remaining 16.4% non-controlling interest in Fortress, as discussed in note 10.

Stock option plan

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

120,000 in Western stock options have been issued during the year ended December 31, 2024 (2023 – 275,000). All options vest immediately and are expensed at the time of grant. For the year ended December 31, 2024, $40,872 in share-based compensation expense was recognized related to these options (2023 - $56,513).

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

	2024	**2023**
Risk-free interest rate	3.13%	3.38%
Spot price	$0.49	$0.35
Exercise price	$0.49	$0.35
Dividend yield	-	1%
Expected life	10 years	10 years
Volatility	58%	57%

The following stock options were outstanding as at December 31, 2024:

Grant date	**Expiry date**	**Exercise price $**	**Number of options**	**Remaining contractual life (years)**	**Fair value of options at grant date $**
February 24, 2016	February 24, 2026	0.50	790,000	1.15	0.60
April 6, 2016	April 6, 2026	0.56	140,000	1.26	0.46
April 21, 2017	April 21, 2027	0.65	30,000	2.30	0.39
June 19, 2017	June 19, 2027	0.65	150,000	2.47	0.33
July 4, 2018	July 4, 2028	0.50	320,000	3.51	0.23
August 23, 2019	August 23, 2029	0.40	294,000	4.62	0.25
June 1, 2020	June 1, 2030	0.27	360,000	5.42	0.17
May 3, 2021	May 3, 2031	0.27	360,000	6.34	0.18
June 29, 2022	June 29, 2032	0.34	220,000	7.50	0.24
June 22, 2023	June 22, 2033	0.35	275,000	8.48	0.21
October 17, 2024	October 17, 2034	0.49	120,000	9.80	0.34

A total of 3,059,000 options are outstanding and exercisable as at December 31, 2024 (2023 – 2,939,000) with a weighted average exercise price of $0.42 (2023 – $0.42). The weighted average remaining contractual life of the outstanding options was 4.38 (2023 – 5.16)

Share repurchases

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

The most recent Bid expired on February 9, 2025, and has not been renewed this year to date.

For the year ended December 31, 2024, no common shares were repurchased (2023 – 80,000 common shares were repurchased at a total price of $29,726). All shares repurchased are cancelled by the Corporation at the end of the month in which they are repurchased with a reduction to share capital at their average issued price, which totalled $41,438 for the year ended December 31, 2023. The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

17 Employee Share Ownership Plan

The Corporations wholly owned subsidiary, Fortress has implemented an Employee Share Ownership Plan (ESOP), which previously granted employees the option to acquire shares of Fortress. The primary objective of the ESOP is to align the interests of employees with those of shareholders and to provide employees with an opportunity to share in Fortress's success.

Subsequent to the October 1, 2024, acquisition, Fortress entered into an agreement, outlining that options granted under the Fortress ESOP would be settled with shares of the Corporation. This agreement applies to all options previously granted and to be granted in the future. Settlement may occur by cash, or by buying Western's shares in the open market or through Western's treasury. As at the acquisition date, 678,414 options were outstanding. The fair value of all vested options, as determined by the Black-Scholes option pricing model, was $933,916. This was included in the business combination as part of the non-controlling interest. Going forward, the unvested portion of these Fortress options will be recognized in consolidated profit or loss as they vest and are earned by the employees, based on their fair value as determined by the Black-Scholes option pricing model. $150,800 in share-based compensation related to this ESOP was recognized in the consolidated profit and loss for 2024.

Fortress's grants recognized at acquisition have a term of 1.25 -5 years, with vesting periods of immediate to 3 years. As at December 31, 2024, 673,524 options were outstanding under the ESOP, 465,746 of which are exercisable. Exercise prices are between $0.44 - $1.373 with vesting dates until September 30, 2027. For the year ended December 31, 2024, each option outstanding had a fair value between $1.61 - $2.34.

18 Investment income

Net investment return

	2024			
	Net investment income $	Net realized gains and losses $	Changes in fair value $	Net investment result $
Debt securities				
At fair value through profit/loss	45,380	5,423	-	50,803
At fair value through OCI	-	-	(27,114)	(27,114)
Equities				
At fair value through profit/loss	22,564	22,939	71,176	116,679
Short term investments				
At fair value through profit/loss	36,642	-	-	36,642
Cash and cash equivalents	93,111	-	-	93,111
Management fees paid	(13,099)	-	-	(13,099)
Total investment income	184,599	28,362	44,062	257,023
Investment income presented as:				
Net investment income				284,137
Unrealized gain for FV OCI instruments				(27,114)
Total investment income				257,023
Total dividend income	22,236			
Total interest income	176,477			

19 Gain on acquisition

The gain on acquisition is made up of the following transactions.

	2024 $	2023 $
Revaluation of Fortress equity investment on acquisition of control	2,583,289	-
Reclassification of OCI on disposition of Ocean	22,976	-
Loss on dilution of Foothills	(9,103)	485
Total gain on acquisition	**2,597,162**	**485**

20 Income taxes

a) Income tax expense

	2024 $	2023 $
Net Income (loss) before income taxes	1,303,287	105,829
Statutory income tax rate	23.0%	23.0%
Income tax expense (recovery) at the statutory rate	299,756	24,340
Non-deductible and other items	93,835	(95,192)
Tax rate differences	(8,131)	-
Unrecognized temporary differences	234,894	(24,022)
Gain on acquisition	(597,347)	-
Prior year and tax rate adjustments	3,748	(1,264)
Tax expense (recovery)	26,755	(96,138)

b) Deferred income taxes

As at December 31, 2024, the Corporation's net deferred income tax liabilities comprise of the following:

	Opening balance $	Business combination $	Recognized in earnings (loss) $	Closing balance $
Intangible assets and PPE	-	(407,435)	11,047	(396,388)
Insurance contract liabilities	-	2,595	126,832	129,427
Amounts related to finance costs	-	6,866	(572)	6,294
Convertible debentures	(113,624)	-	75,694	(37,930)
Unrealized capital gain	(87,437)	-	(661,629)	(749,066)
Non-capital losses	201,062	-	585,934	786,996
Net deferred income tax liability	-	(397,974)	137,306	(260,668)

The following deductible temporary differences have not been recognized:

	2024 $	2023 $
Financing costs	911,033	215,233
Capital losses	3,449,999	-
Non-capital losses	4,811,402	5,822,936
	9,172,434	6,038,169

As at December 31, 2024, the Corporation has $8.2 million of non-capital losses available to reduce taxable income in future years (2023 – $6.7 million). The losses expire from 2035.

21 Insurance and financial risk management

The Corporation monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include insurance risk, market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Insurance risk

The Corporation accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Corporation underwrites the following types of risk:

- Commercial: commercial property, realty/strata, property indoor growers program
- Personal: personal property, automotive gap coverage
- AD&D: accidental death and dismemberment
- Liability: coverage of legal fees and legal payouts which is fully reinsured
- Fronting: commercial risk fully reinsured
- Automobile: private passenger liability, private passenger personal accident

The Corporation is responsible for insurance coverage of its policyholder for automobile claims under $2,000,000 per occurrence. Individual claims up to $250,000 are subject to reimbursement from the policyholder. Individual claims in excess of $2,000,000 are the responsibility of the policyholder.

Even though claims up to $250,000 are recoverable from the policyholder, the Corporation remains liable for payment of these claims and is required to record the reserves for these claims as a liability. The policyholder has provided a written commitment to pay the Corporation for these claims within 30 days after demand**.**

The Corporation is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The risk exposure is mitigated by careful selection and implementation of underwriting strategy guidelines. In addition, the Corporation reinsures risk with a reinsurer to limit its maximum loss in the event of catastrophic events or other significant losses. To that end, the Corporation has entered into both a quota share reinsurance agreement and catastrophe excess of loss reinsurance agreement with the reinsurer.

- Assumptions and sensitivities

  The risks associated with insurance contracts are complex and subject to a number of variables, which complicate quantitative sensitivity analysis. The Corporation uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

  The Corporation considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

The following tables illustrate the effect on claim liabilities on an actuarial present value (APV) basis of a 10% change in the selected loss rate for insurance contract liabilities and a 2.5% change in the risk adjustment for non-financial risk. Furthermore, a 10% change in lapse rates for the GMM business is tested.

As at December 31, 2024	Change in Actuarial Assumptions	Effect on Insurance Contract Liabilities	Effect on Reinsurance Contract Held Assets	Effect on Deductibles Recoverable from Shareholders	Effect on Net Income and Shareholders' Equity	Effect on Net Contractual Service Margin
Loss rate	+10%	1,239,834	988,675	56,917	(36,761)	(157,481)
Loss rate	-10%	(1,241,452)	(990,132)	(56,917)	36,761	157,642
Risk Adjustment for Non-Financial Risk	+2.5%	370,826	282,896	32,680	(13,298)	(41,951)
Risk Adjustment for Non-Financial Risk	-2.5%	(370,826)	(282,896)	(32,680)	13,298	41,951
Lapse Rates (GMM Only)	+10%	(22,761)	(28,696)	-	-	(5,935)
Lapse Rates (GMM Only)	-10%	24,491	30,283	-	-	5,792

- Claims development tables

  The following table presents the liabilities for incurred claims and assets for incurred claims by accident year.

	Liabilities for incurred claims		Assets for incurred claims	
Accident year	**2024**	**Total**	**2024**	**Total**
End of accident year	4,392,398	4,392,398	3,123,566	3,059,540
Current estimate of ultimate claims	4,392,398	4,392,398	3,123,566	3,123,566
Cumulative payments	(55,348)	(55,348)	(49,863)	(49,863)
	4,337,050	4,337,050	3,073,703	3,073,703
Self-Insured Retention, Cost Neutral mechanism, and Payables (Receivables)		367,036		-
Provisions for discounting, risk adjustments, unpaid loss adjustment expense and Alberta		(78,842)		(51,859)
Balance as at December 31, 2024		**4,625,244**		**3,021,844**

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Corporation has established policies and procedures in order to manage market risk.

- Interest rate risk management

  Interest rate risk is the risk that the fair value of future cash flows of a financial instrument and/or insurance contract and reinsurance contract will fluctuate because of changes in market interest rates.

  The Corporation is exposed to interest rate risk as the Corporation invests in debt securities at fixed and floating interest rates and has access to an operating loan with a variable interest rate. The risk is managed by the Corporation by staggering debt security maturity dates in order to obtain market rates at the time of reinvestment. Additionally, the Corporation is invested in long-term debt securities that hold higher fixed rates.

  As at December 31, 2024, an increase of 50 basis points in interest rates on the Corporation's investments would have a $151,895 negative effect on income before tax. A decrease of 50 basis points in interest rates would have a $157,689 positive effect on income before tax.

As at December 31, 2024, an immediate hypothetical 50 basis points parallel increase in interest rates would result in a decrease of $37 in the insurance contract liabilities on an APV basis with a corresponding increase in net income and shareholders' equity of this amount. Conversely, a 50 basis point decrease in interest rates would result in an increase of $38 of the insurance contract liabilities on an APV basis with a corresponding decrease in net income and shareholders' equity of this amount. The claim liabilities include an adjustment to reflect present value discounting and an adjustment for the risk adjustment for non-financial risk. The Corporation carries claim liabilities on an APV basis.

	Base		2024 Impact on			
Interest rate sensitivity	Insurance Contract Liabilities	Reinsurance Contracts Held Assets	Insurance Contract Liabilities	Reinsurance Contracts Held Assets	Total comprehensive income (loss) for the year	Total Shareholders' Equity
0.5% increase in interest rates impact	32,536	20,954	32,318	20,774	37	37
-0.5% decrease in interest rates impact	32,536	20,954	32,758	21,138	(38)	(38)

- Foreign currency risk

  The Corporation has $1,081,777 of investments held in USD. The Corporation is also exposed to currency risk through its associates, some of which purchase inventories from foreign suppliers, and carry financial assets and liabilities denominated in foreign currencies. As such, their net income or loss may be affected by fluctuations in foreign exchange rates and the degree of volatility of those rates.

  In relation to the investments held in USD, a 10% increase in Canadian versus USD would have a $108,178 negative effect on net income before tax. A 10% decrease in Canadian versus USD would have a $108,178 positive effect on net income before tax.

- Other price risk management

  The Corporation is exposed to equity price risks arising from equity investments. The shares included in financial assets represent investments in listed securities that present the Corporation with an opportunity for return through dividend income and capital appreciation. The Corporation does not issue any participating contracts; hence no insurance or reinsurance contracts are exposed to price risk.

  The Corporation mitigates its equity price risk by limiting equity investments to stable corporate entities. A 10% increase in common share prices would have a $176,385 positive effect on net income before tax. A 10% decrease in common share prices would have a $176,385 negative effect on net income before tax.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The key areas of exposure to credit risk for the Corporation are in relation to its investment portfolio, and to a lesser extent amounts due from policyholders and related parties.

The risk is managed by the Corporation by investing only in low-risk debt securities, mutual funds and equity instruments. The Corporation is selective with its strategic broker partners ("SBP's") and reinsurers and works only with those having a strong financial condition. The Corporation's placement of underwriting premiums is diversified such that its not dependent on a single SBP. Uncollectible premium receivable amounts historically have been nil. Regarding reinsurers, if they are registered, the Corporation monitors their credit rating. For unregistered reinsurers, the Corporation follows the Office of the Superintendent of Financial Institutions' ("OSFI") collateral guidelines, following Fortress's Reinsurance Risk Management Policy.

The Corporation's risk related to deductibles recoverable from its policyholder is mitigated by the cost and capital neutral mechanism in place and a letter of credit is held by Alberta Superintendent of Insurance with the beneficiary being our subsidiary Fortress. The letter of credit is for $2,300,000 to cover against the deductibles recoverable from the policy holder.

The credit risk related to amounts due from related parties in managed by working with each party to manage its liquidity through financing and budgets, and the Corporation continuously evaluates the financial condition of its related parties in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in income or loss. The Corporation's assessment of ECL's on amounts due from related parties, is based on the current financial status of the associates and on future-oriented information, including the use of forecasts. This information is used in the determination of each counter parties credit risk and if it has increased during the period.

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

	2024	**2023**
	$	**$**
Cash and cash equivalent	43,245,301	618,673
Accounts receivable	50,263	12,687
Accrued interest receivable	75,857	-
Investments	11,861,210	-
Reinsurance contract assets	20,953,679	-
Due from related parties	1,303,339	740,205
GlassMasters' promissory note	4,658,559	4,658,559
	82,148,208	**6,030,124**

The following table shows aggregated credit risk exposure for assets with external credit ratings.

Loans and receivables from policyholders, amounts due from related parties, and GlassMasters' promissory note generally do not have a credit rating.

	AAA	AA	A	R2+	Not rated	Total
	$	$	$	$	$	$
Debt securities						
Provincial and Government of Canada bonds	2,116,453	1,489,430	79,002	-		3,684,885
Corporate bonds	-	-	1,410,924	643,447		2,054,371
Equity						-
Common shares				1,763,851		1,763,851
Preferred shares					872,071	872,071
Short term investments		3,486,032				3,486,032
Cash and cash equivalents		43,245,301				43,245,301
	2,116,453	**48,220,763**	**1,489,926**	**2,407,298**	**872,071**	**55,106,511**

Liquidity risk management

Liquidity risk is the risk that the Corporation cannot meet its obligations associated with financial liabilities as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. Liquidity risk arises from the general business activities and in the course of managing the asset and liabilities of the Corporation. The liquidity requirements of the Corporation's business are met primarily by funds generated from operations, asset maturities and income and other returns received on investments. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and operating expenses. Cash requirements are monitored on a monthly basis and short-term liquidity risks have been mitigated through the use of a committed operating loan facility (note 12).

At December 31, 2024, the Corporation has $43,031,410 (2023 – $618,673) of cash and cash equivalents on hand to address financial obligations, net of $213,891 of restricted cash (2023 – nil).

The following table indicates the estimated amount and timing of cash flows arising from the policy liabilities and contractual commitments at December 31, 2024. The insurance contract liabilities and reinsurance contract assets in the table below include those cash flows that include interest being the LIC for contracts measured under the PAA and the LIC and LRC for contracts measured under GMM.

December 31, 2024	Undiscounted Amount $	1 year or less $	1 to 2 Years $	2 to 3 Years $	3 to 4 Years $	4 to 5 Years $	5 to 10 Years $	Over 10 Year $
Insurance Contract Liabilities	22,403,884	9,307,465	4,343,737	3,079,581	2,433,777	1,653,283	1,550,712	35,330
Reinsurance Contract Held Assets	20,224,562	8,063,711	4,038,411	2,922,827	2,289,443	1,562,382	1,347,787	-
Self-insured retention unpaid claim liabilities	1,549,277	387,262	304,921	280,899	211,775	151,943	194,370	18,107
Loan from related party	1,678,245	61,204	61,204	61,204	61,204	61,204	306,020	1,066,205
Convertible debentures	5,600,000	5,600,000						
Lease liabilities	136,337	69,447	66,890	-	-	-	-	-
Accounts payable and accrued liabilities	2,234,745	2,234,745	-	-	-	-	-	-
Due to related parties	234,966	234,966	-	-	-	-	-	-

December 31, 2023	Undiscounted Amount $	1 year or less $	1 to 2 Years $	2 to 3 Years $	3 to 4 Years $	4 to 5 Years $	5 to 10 Years $	Over 10 Year $
Loan from related party	1,307,069	61,204	61,204	61,204	61,204	61,204	306,020	1,066,205
Convertible debentures	7,166,310	1,566,310	5,600,000					
Accounts payable and accrued liabilities	358,441	358,441						

The following table details the Corporation's expected maturity for its investments and cash and cash equivalents. The table below has been drawn up based on the undiscounted contractual maturities of the investments and cash and cash equivalents.

December 31, 2024	**Under 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**5 to 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Debt securities	196,614	480,517	577,384	238,827	687,733	3,558,181	5,739,256
Equity investments	2,635,922	-	-	-	-	-	2,635,922
Short term investments	3,486,032	-	-	-	-	-	3,486,032
Cash and cash equivalents	43,245,301	-	-	-	-	-	43,245,301
	49,563,869	480,517	577,384	238,827	687,733	3,558,181	55,106,511

December 31, 2023	**Under 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**5 to 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	618,673						618,673

The Corporation expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

22 Dividends declared

No dividends were paid in 2024. In 2023 the Corporation paid dividends of $0.005 per share on September 29, 2023, to shareholders on record on September 15, 2023. The total amount of dividends paid in 2023 was $151,039.

23 Earnings (loss) per common share

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

	2024 $	2023 $
Net income for the year	1,276,532	201,967
Basic weighted average number of common shares outstanding	42,774,905	30,236,345
Effect of dilutive securities	466,446	266,190
Diluted weighted average number of common shares outstanding	43,241,351	30,502,535
Basic earnings (loss) per common share	0.030	0.007
Diluted earnings (loss) per common share	0.030	0.007

As at December 31, 2024, there were 3,059,000 share options outstanding (2023 – 2,939,000). Of these options, 180,000 were anti-dilutive (2023 – 1,724,000).

24 Supplemental cash flow information

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

	2024 $	2023 $
Accounts receivable	(37,574)	(12,316)
Accrued interest receivable	(7,613)	-
Income taxes	126,777	-
Reinsurance contract assets	(8,360,161)	-
Prepaid assets	104,503	(22,622)
Accounts payable	1,260,056	203,927
Fronting payable	(357,175)	-
Due to related parties	23,682	382,558
Collateral held	213,891	-
Insurance contract liabilities	8,983,233	-
	1,949,619	551,547

25 Due (to) from related parties

As at December 31, the following amounts are due (to) from related parties:

	2024	2023
	$	$
Amounts due from associates		
GlassMasters's management fees	19,687	-
GlassMasters's interest due on promissory note receivable	163,049	-
GlassMasters's shareholder loan	351,009	320,917
Foothills' shareholder loan	769,594	419,288
	1,303,339	740,205
Amounts due to Fortress from a subsidiary of SM2 Holdings (a shareholder of Western)		
Deductibles recoverable from policyholder at year end	1,565,563	-
Amounts owed by Fortress to a subsidiary of SM2 Holdings (a shareholder of Western)		
Receivable from (payable to) PHV - cost neutral	(234,966)	-
Cash held as collateral	(213,891)	-
	(448,857)	-

GlassMasters' shareholder loans are subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. The loan is composed of cash advances, unpaid management fees and interest. The loan terms are such that it matures annually, on December 31st, with automatic renewal if all interest has been paid. During the year ended December 31, 2024, $10,406 in payments have been received on this loan (2023 – $303,831).

In 2022, the Corporation advanced $250,000 to Foothills in the form of a shareholder loan bearing interest at 13% per annum. On December 6, 2024, Western advanced an additional $250,000 to Foothills. Unpaid interest and management fees shall be added to the principal sum owing. The loan has a one-year maturity date, with the option to extend consecutive six-month periods. At the maturity date, Western has the option to convert the outstanding principal sum, together with all accrued and unpaid interest, into shares of Foothills at a conversion price of $1.00 per share. If the conversion option is exercised, Western will receive share purchase warrants of Foothills in the amount of one-third of one share purchase warrant for every one share issued upon conversion of the loan. Each warrant shall entitle Western to purchase one share of Foothills. Foothills' shareholder loan is considered not to represent solely payments of principal and interest and, accordingly, is classified at fair value through profit or loss. As at December 31, 2024, fair value has been determined to equal the $500,000 principal amount of the loan, plus accrued interest of $112,094 (2023 – $51,163) and management fees of $157,500 (2023 – $118,125). The fair value is based on Level 3 inputs, using a discounted cash flow model. On October 27, 2024, Western exercised the third option to extend the maturity date for the next six months. The next option to extend on April 27, 2025, was exercised subsequent to year-end. Final maturity occurs on October 27, 2025.

The Corporation has a cost neutral mechanism in place with Prairie View Holdings Ltd. ("PVH"), a subsidiary of a major shareholder of Western. At December 31, 2024, the amount payable to PVH was $234,966 (2023 - $nil). For all balances that are payable over $250,000 for the cost neutral mechanism, PVH maintains the right to ask for payment to bring the balance outstanding down to this limit. There are no fixed repayment terms for the balance outstanding.

26 Related party transactions

Western's related parties consist of directors and officers of Western and its subsidiary, and Western's associates. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following is a summary of the Corporation's transactions with related parties.

	2024 $	2023 $
Transactions with Associates		
Management fees	195,000	172,500
Finance Income	753,461	603,864
Dividends received	90,000	105,000
Interest expense	(57,251)	(46,694)
SM2 Holdings Ltd. (a shareholders)		
Office rent	(10,710)	-
Prairie View Holdings Ltd.		
(a subsidiary of SM2 Holdings Limited)		
Cost and capital neutral mechanism	2,532	-
Deductibles assumed by policyholder	558,555	-
Claim expense for deductibles assumed	(558,555)	-

In accordance with the terms of a shareholder's agreement, Western earns an annual management fee, to provide strategic, governance and other advisory services, from certain of its associates, payable on a quarterly basis. As at December 31, 2024, $19,687 in management fees was due from associates (2023 – $nil).

Finance income relates to interest earned on loans to associates. As at December 31, 2024, $163,050 in interest was due from associates (2023 – $51,163).

The Corporation has a management services agreement in place with the Tevir Capital Corp ("Tevir"), a company owned by the CEO. The agreement was signed December 6, 2024, for a two-year term with annual renewal thereafter. The first management fee was paid in January of 2025. The management fee payable under this agreement is $500,000 annually plus expenses, payable on monthly basis.

During the year ended December 31, 2024, $729,016 in salaries and benefits was paid or payable to key members of management (2023 – $447,592), and $183,576 in share-based compensation was paid to key management and directors (2023 - $56,513).

27 Subsequent events

On February 26, 2025, Western gave notice to holders of debentures issued pursuant a debenture Indenture dated October 24, 2023, between Western and Odyssey Trust Company (the "**Indenture**") that it has triggered the forced conversion provisions of the Indenture. This followed the 20-day volume weighted average price of Western's common shares reaching $0.67 on February 25, 2025, exceeding the threshold of $0.65 set out in the Indenture. The outstanding principal amount of the debentures, totaling $5,000,000, was converted into 10,582,007 common shares of Western at a price of $0.4725 per share at the close of business on March 7, 2025. All accrued and unpaid interest from October 1, 2024, to March 7, 2025, was paid concurrently to the debenture holders and all debentures were cancelled effective March 7, 2025.

On March 10, 2025, dividends totalling $150,000 were declared at Golden payable to Western. $105,000 of this was used to pay down the Golden shareholder loan, and $45,000 was paid in cash to Western.

Subsequent to the reporting period, the U.S. government announced tariffs that may impact certain aspects of the Corporation's business, or that of its associates. Any financial and operational implications of these tariffs is uncertain, and the extent of their impact, if any, is not determinable.

On April 22, 2025, Western exercised its fourth option to extend the maturity of the Foothills shareholder loan (note 25). The maturity date of this loan shall now be October 27, 2025.