

**The Western Investment Company of  
Canada Limited**

Condensed Interim Financial Statements  
(Unaudited)  
**September 30, 2024**

## **Notice of No Auditor Review of Condensed Interim Financial Statements**

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

The accompanying unaudited condensed interim financial statements of The Western Investment Company of Canada Limited (the "Corporation") for the interim reporting period ended September 30, 2024 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Corporation's management.

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

# The Western Investment Company of Canada Limited

## Condensed Interim Statements of Financial Position

(Unaudited)

	As at September 30, 2024 \$	As at December 31, 2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	6,123	618,673
Accounts receivable	9,235	12,687
Due from related parties (note 12)	343,175	-
Prepaid expenses	380,316	24,764
	<u>738,849</u>	<u>656,124</u>
Due from related parties (note 12)	832,561	740,205
Investments in associates (note 4)	19,556,793	18,468,149
	<u>21,128,203</u>	<u>19,864,478</u>
<b>Total assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	587,082	358,441
Convertible debentures (note 7)	-	1,122,649
	<u>587,082</u>	<u>1,481,090</u>
Operating loan (note 5)	1,981,430	-
Loan from related party (note 6)	1,005,000	1,095,000
Convertible debentures (note 7)	4,647,654	4,508,332
	<u>7,634,084</u>	<u>7,084,422</u>
<b>Total liabilities</b>		
<b>Shareholders' equity</b>		
Share capital (note 8)	15,646,943	15,646,943
Contributed surplus (note 8)	2,263,854	2,041,586
Equity component of convertible debentures (note 7)	400,908	623,176
Accumulated other comprehensive income	-	22,978
Deficit	(5,404,668)	(5,554,627)
	<u>12,907,037</u>	<u>12,780,056</u>
<b>Total shareholders' equity</b>		
<b>Total liabilities and shareholders' equity</b>		
	<u>21,128,203</u>	<u>19,864,478</u>
Nature of operations (note 2)		
Subsequent events (note 14)		

### Approved by the Board of Directors

“Scott Tannas” Director

“Jennie Moushos” Director

The accompanying notes are an integral part of these financial statements

# The Western Investment Company of Canada Limited

## Condensed Interim Statements of Income and Comprehensive Income

(Unaudited)

	For the three months ended September 30, 2024 \$	For the three months ended September 30, 2023 \$	For the nine months ended September 30, 2024 \$	For the nine months ended September 30, 2023 \$
<b>Income</b>				
Income from equity investments (note 4)	1,008,243	681,383	1,178,644	1,779,803
Finance income (note 13)	188,269	161,969	566,013	465,035
Gain on disposal	22,978	486	22,978	486
Management fees (note 13)	37,500	37,500	112,500	112,500
	<u>1,256,990</u>	<u>881,338</u>	<u>1,880,135</u>	<u>2,357,824</u>
<b>Expenses</b>				
Legal fees	169,278	5,594	197,638	26,348
Accounting fees	124,880	52,215	219,085	165,912
Regulatory fees	46,721	7,886	98,639	52,309
Consulting fees	16,356	14,286	44,927	42,857
Other	16,528	16,061	46,191	32,747
Salaries and benefits (note 13)	129,235	97,996	431,433	337,816
Interest on convertible debentures (note 7)	182,475	151,996	582,983	450,111
Interest on operating loan (note 5)	35,112	35,518	67,330	87,678
Interest on related party loan (note 6)	15,301	11,196	41,950	35,498
Share-based compensation (note 8)	-	-	-	56,513
	<u>735,886</u>	<u>392,748</u>	<u>1,730,176</u>	<u>1,287,789</u>
<b>Net income for the period</b>	521,104	488,590	149,959	1,070,035
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified to net income				
Reclassification of cumulative translation adjustment to profit or loss, net of tax	(22,978)	-	(22,978)	-
<b>Total comprehensive income for the period</b>	<u>498,126</u>	<u>488,590</u>	<u>126,981</u>	<u>1,070,035</u>
<b>Net income per common share (note 10)</b>				
Basic and diluted	0.017	0.016	0.005	0.035
<b>Weighted average number of common shares outstanding (note 10)</b>				
Basic	30,207,756	30,207,756	30,207,756	30,245,979
Diluted	30,651,205	30,496,002	30,684,108	30,488,463

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

# The Western Investment Company of Canada Limited

## Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited)

	Number of shares	Share capital \$	Contributed surplus \$	Equity component of convertible debentures \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
<b>Balance – December 31, 2023</b>	30,207,756	15,646,943	2,041,586	623,176	22,978	(5,554,627)	12,780,056
Maturity of debentures (note 7)	-	-	222,268	(222,268)	-	-	-
Net income for the period	-	-	-	-	-	149,959	149,959
Other comprehensive income (loss)	-	-	-	-	(22,978)	-	(22,978)
<b>Balance – September 30, 2024</b>	<b>30,207,756</b>	<b>15,646,943</b>	<b>2,263,854</b>	<b>400,908</b>	<b>-</b>	<b>(5,404,668)</b>	<b>12,907,037</b>
<b>Balance – December 31, 2022</b>	30,287,756	15,688,381	1,477,805	793,815	22,978	(5,605,555)	12,377,424
Repurchase of shares (note 8)	(80,000)	(41,438)	11,712	-	-	-	(29,726)
Issuance of share-based compensation (note 8)	-	-	56,513	-	-	-	56,513
Dividends paid	-	-	-	-	-	(151,039)	(151,039)
Net income for the period	-	-	-	-	-	1,070,035	1,070,035
<b>Balance – September 30, 2023</b>	<b>30,207,756</b>	<b>15,646,943</b>	<b>1,546,030</b>	<b>793,815</b>	<b>22,978</b>	<b>(4,686,559)</b>	<b>13,323,207</b>

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

# The Western Investment Company of Canada Limited

## Condensed Interim Statements of Cash Flows

(Unaudited)

	For the nine months ended September 30, 2024 \$	For the nine months ended September 30, 2023 \$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income for the period	149,959	1,070,035
Adjustments for non-cash items		
Income from equity investments (note 4)	(1,178,644)	(1,779,803)
Gain on disposal and dilution	(22,978)	(486)
Interest on convertible debentures (note 7)	582,983	450,111
Share-based compensation	-	56,513
Amortization of deferred financing fee	4,125	4,125
Interest paid on convertible debentures (note 7)	(441,310)	(300,000)
Net change in non-cash working capital (note 11)	(470,759)	231,123
Cash used in operating activities	(1,376,624)	(268,382)
<b>Investing activities</b>		
Advances to related parties	(92,356)	(140,267)
Repayments from related parties	-	283,287
Dividends from associate (note 4)	90,000	105,000
Cash (used in) provided by investing activities	(2,356)	248,020
<b>Financing activities</b>		
Repayment of debentures (note 7)	(1,125,000)	-
Advances on operating loan (note 5)	1,981,430	286,410
Repayment of loan from related party (note 6)	(90,000)	(105,000)
Dividends paid to shareholders	-	(151,039)
Repurchase of shares (note 8)	-	(29,726)
Cash provided by financing activities	766,430	645
<b>Net decrease in cash</b>	(612,550)	(19,717)
<b>Cash – Beginning of period</b>	618,673	25,715
<b>Cash – End of period</b>	6,123	5,998
<b>Supplemental cash flow information</b>		
Interest paid	550,591	423,175

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

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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### 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 6 West Coach Place SW, Calgary, Alberta, T3H 0M7, and the address of the registered office is Suite 800, Dome Tower, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The unaudited condensed interim financial statements (“the interim financial statements”) of the Corporation for the nine months ended September 30, 2024 were approved and authorized for issuance by the Corporation’s Board of Directors on November 28, 2024.

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

Western’s targeted industry verticals align with the industry expertise of the Board of Directors and include: (i) financial services and insurance; (ii) retail and distribution; (iii) human services; (iv) agriculture and related services; and (v) special situations. Western’s ideal acquisition enterprise value is between \$10 million and \$100 million and it will consider ownership between 25% and 100%. Western will prospect acquisitions from: (i) director and executive networks; (ii) mid-market accounting and M&A advisors; and (iii) private equity and corporate divestitures. Western’s strategy is expected to evolve towards a focus on the insurance industry in line with the transaction disclosed in note 11, Subsequent Events.

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

Following is a summary of Western’s equity investments (see note 4 for additional information):

#### **GlassMasters ARG Autoglass Two Inc.**

In 2016, GlassMasters ARG Autoglass Two Inc. (“GlassMasters”) became Western’s first investment. The Corporation’s total investment in GlassMasters at September 30, 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.

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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### **Golden Health Care**

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.**

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

### **Fortress Insurance Company**

In 2019, Western acquired a 50% interest in Fortress Insurance Company (“Fortress”). In 2022, Fortress completed an equity offering diluting the Corporation’s ownership to 28%. Subsequent to this period ended, on October 1, 2024, Western acquired an additional 55% of Fortress, bringing its total ownership to 83%. Fortress is a registered and regulated insurance company offering specialty and surplus lines of commercial and property insurance within the Western Canadian insurance marketplace. Fortress has regulatory licences in western Canada, Ontario, and the territories. See note 14 for information regarding subsequent events affecting Fortress.

## **3 Basis of preparation**

### **Statement of compliance**

These interim financial statements have been prepared in accordance International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

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

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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### **Basis of measurement**

These interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and were prepared on a going concern basis under the historical cost convention, except for certain shareholder loans that are recorded at fair value.

### ***Material accounting policy information***

The accounting policies applied in these interim financial statements are the same as those applied in note 4 to the Corporation's audited financial statements for the year ended December 31, 2023, except as described in the notes to the interim financial statements. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2023. Several amendments and interpretations of IFRS apply for the first time in 2024; however, these items do not have a material impact on the interim financial statements of the Corporation.

### ***Use of judgments and estimates***

The preparation of financial statements necessitates the use of judgments, estimates and assumptions, as outlined in note 5 of the audited financial statements for the year ended December 31, 2023. These judgments, estimates and assumptions may affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as income and expenses during the reporting periods. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2023.

## **4 Investments in associates**

The investments in associates balance consists of the following:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Western's interest in Fortress Insurance Company	2,811,449	2,726,191
Western's interest in Foothills Creamery Ltd.	3,005,191	2,842,164
Western's interest in Golden Health Care	4,743,836	4,711,339
Western's interest in GlassMasters ARG Autoglass Two Inc.	8,996,317	8,188,455
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	19,556,793	18,468,149
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# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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### 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.

On April 1, 2022, the shareholders of GlassMasters passed a special resolution to distribute \$8 million in capital to shareholders by way of reducing the stated capital on the Class A common shares. The distribution has been treated as a return of paid-up capital for tax purposes and was paid by the issuance of a five-year-term promissory note. The return of capital and related promissory note related to Western's shareholdings was \$4,658,559. The terms of 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 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 nine months ended September 30, 2024, \$489,149 of interest was earned, and \$323,198 was receivable related to this note, and received subsequent to September 30, 2024 (September 30, 2023 – \$398,597 earned and received). This promissory note is considered part of Western's net investment in GlassMasters.

Much of the spring inventory on order arrived unexpectedly months ahead of schedule causing GlassMasters to be in breach of certain of its financial covenants as at September 30, 2024. The bank has not indicated any intention to call the loans and is expected to provide a waiver. The covenant breach may impact Western's ability to collect interest on the notes receivable until they are back on-side.

#### **Golden Health Care group of companies**

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

The financial statement reporting date for Golden is August 31; however, the Corporation records equity income aligned with its own reporting periods. Golden's covenants are reported to its lender once per year as at August 31. As at August 31, 2023 and 2024, two of the homes were in breach of a covenant under the terms of its mortgage agreement. During the current reporting period, and to date, the bank has not indicated any intention to call the loans. On April 1, 2024, with the covenant breach, Golden's lender renewed the facilities. A shareholder contribution may be required from time to time, due to the breach in covenants.

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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### **Foothills Creamery Ltd.**

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

Foothills was in breach of certain of its financial covenants as at September 30, 2024. The bank has not indicated any intention to call the loans. A shareholder contribution may be required in 2025, due to the breach in covenants.

### **Fortress Insurance Company**

The Corporation holds a 28% interest in Fortress, which was acquired in 2019. Western appoints two of eight directors to the Board of Directors and, as such, has the ability to exercise significant influence but not control over Fortress and, accordingly, the Corporation is using the equity method to account for this investment. See note 14 for subsequent events affecting Fortress.

### **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 September 30, 2024 and for the nine months then ended*

	<b>GlassMasters</b>	<b>Golden</b>	<b>Foothills</b>	<b>Fortress</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	11,839,723	1,359,535	8,772,657	37,123,360
Non-current assets	20,522,503	17,219,731	22,940,049	-
Current liabilities	11,497,267	11,096,959	23,167,276	27,460,360
Non-current liabilities	13,409,790	46,370	2,402,424	-
Net assets	7,455,169	7,435,937	6,143,006	9,663,000
Revenue	32,732,105	7,406,497	28,567,818	17,778,333
Total net income and comprehensive income	1,408,210	402,668	329,413	299,676

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

*Summarized financial information as at December 31, 2023 and for the nine months ended September 30, 2023*

	<b>GlassMasters</b> \$	<b>Golden</b> \$	<b>Foothills</b> \$	<b>Fortress</b> \$
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	27,335,372	6,675,793	29,727,673	15,024,227
Total net income (loss) and comprehensive income (loss)	1,368,828	137,525	1,771,369	544,845

### c) Reconciliation of investments in associates' carrying value

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

*Reconciliation of the carrying amount for the nine months ended September 30, 2024*

	<b>GlassMasters</b> \$	<b>Golden</b> \$	<b>Foothills</b> \$	<b>Fortress</b> \$	<b>Total</b> \$
Western's ownership interest	55.3%	25.0% – 30.0%	49.5%	28.5%	
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)
Share of net income	807,862	122,497	163,027	85,258	1,178,644
Investments in associates as at September 30, 2024	8,996,317	4,743,836	3,005,191	2,811,449	19,556,793

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## Notes to Condensed Interim Financial Statements

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### Reconciliation of the carrying amount for the nine months ended September 30, 2023

	GlassMasters \$	Golden \$	Foothills \$	Fortress \$	Total \$
Western's ownership interest	55.3%	25.0% – 30.0%	49.6%	28.3%	
Investments in associates as at December 31, 2022	7,529,849	4,781,768	2,450,120	2,575,686	17,337,423
Gain on dilution	-	-	486	-	486
Share of dividends paid out	-	(105,000)	-	-	(105,000)
Share of net income	757,2350	41,511	877,561	103,496	1,779,803
Investments in associates as at September 30, 2023	8,287,084	4,718,279	3,328,167	2,679,182	19,012,712

## 5 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 general security agreement over all present and after-acquired property;
- a share pledge agreement in respect to the Corporation’s interest in some of its associates;
- an assignment of material contracts; and
- a continuing guarantee from material wholly owned subsidiaries of the Corporation, of which there are currently none.

As at September 30, 2024, \$1,986,930 was drawn on the facility (December 31, 2023 – \$nil) and the unamortized financing fees total \$5,500 (December 31, 2023 – \$9,625).

## 6 Loan from related party

The Corporation holds a \$1.005 million shareholder loan from Golden (December 31, 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 nine months ended September 30, 2024, Golden declared and paid dividends to its shareholders. Western’s share of the dividend was \$90,000 (note 4) and was applied to the outstanding balance

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

September 30, 2024

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of the loan. On April 1, 2024, in line with the mortgage renewal that occurred at Golden, the interest rate on Golden's shareholder loan increased from 4.09% to 6.09%.

### 7 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 September 30, 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%.

### 8 Share capital

#### Authorized

Unlimited number of common shares, without par value

Unlimited number of preferred shares, without par value

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### Issued

During the nine months ended September 30, 2024, no common shares were issued (September 30, 2023 – nil). There are no preferred shares issued to date. The following is a summary of the common shares issued at period-end.

	Number of shares	Amount \$
<b>Balance – December 31, 2022</b>	30,287,756	15,688,381
Share repurchase	<u>(80,000)</u>	<u>(41,438)</u>
<b>Balance – December 31, 2023 and September 30, 2024</b>	<u>30,207,756</u>	<u>15,646,943</u>

### 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.

No stock options have been issued during the nine months ended September 30, 2024 (September 30, 2023 – 275,000). All options vest immediately and are expensed at the time of grant.

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

Risk-free interest rate	0.47% – 3.35%
Spot price	\$0.27 – \$0.65
Exercise price	\$0.27 – \$0.65
Dividend yield	1%
Time to maturity	10 years
Volatility	50 – 70%

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## Notes to Condensed Interim Financial Statements

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The following stock options were outstanding as at September 30, 2024:

Grant date	Expiry date	Exercise price \$	Number of options	Remaining contractual life (years)	Fair value of options at issuance \$
February 24, 2016	February 24, 2026	0.50	790,000	1.90	0.60
April 6, 2016	April 6, 2026	0.56	140,000	2.02	0.46
April 21, 2017	April 21, 2027	0.65	30,000	3.06	0.39
June 19, 2017	June 19, 2027	0.65	150,000	3.22	0.33
July 4, 2018	July 4, 2028	0.50	320,000	4.26	0.23
August 23, 2019	August 23, 2029	0.40	294,000	5.37	0.25
June 1, 2020	June 1, 2030	0.27	360,000	6.17	0.17
May 3, 2021	May 3, 2031	0.27	360,000	7.09	0.18
June 29, 2022	June 29, 2032	0.34	220,000	8.25	0.24
June 22, 2023	June 22, 2033	0.35	275,000	9.23	0.21

A total of 2,939,000 options are outstanding and exercisable as at September 30, 2024 (December 31, 2023 – 2,939,000) with a weighted average exercise price of \$0.42 (December 31, 2023 – \$0.42).

### **Share repurchases**

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

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

For the nine months ended September 30, 2024, no common shares were repurchased (September 30, 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. The difference between the issued price and the repurchase price of the shares repurchased is recorded to contributed surplus.

## **9 Financial instruments**

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

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

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convertible debentures. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments, except as otherwise disclosed.

### **Fair value**

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

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

The carrying values of cash, accounts receivable, operating loan and accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these items.

Long-term amounts due from related parties include the GlassMasters shareholder loan (note 12), which is measured at amortized cost and the carrying value approximates its fair value, based on level 3 inputs. Also included in long-term amounts due from related parties is the Foothills shareholder loan, which is measured at fair value through profit and loss, based on Level 3 inputs (note 12).

The fair value of the promissory note receivable, based on Level 3 inputs, from GlassMasters (note 4) approximates its carrying value, which is measured at amortized cost. This loan is included in investments in associates.

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

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

### **Credit risk**

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

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

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The Corporation's assessment of expected credit losses ("ECL"), is based on the current financial status of the associates and on future-oriented information, including the use of forecasts. This information is used in the determination of each counter parties credit risk and if it has increased during the period. As at September 30, 2024, the corporation's 12-month ECL is immaterial.

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

	September 30, 2024	December 31, 2023
	\$	\$
Cash	6,123	618,673
Accounts receivable	9,235	12,687
GlassMasters' promissory note receivable (note 4)	4,658,559	4,658,559
Due from related parties (note 12)	1,175,736	740,205
	<u>5,849,653</u>	<u>6,030,124</u>

### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. Policies and practices used include the preparation of budgets and forecasts that are regularly monitored and updated as considered necessary. Cash requirements are monitored on a monthly basis and short-term liquidity risks have been mitigated through the use of a committed operating loan facility (note 5).

The Corporation has used \$1.99 million of its \$2 million operating line at September 30, 2024. Subsequent to September 30, 2024, the Corporation received cash related to interest receivable from an associate. The Corporation is in the process of raising capital that will cover its obligations for the next 12 months and beyond (see note 14 for details). The Corporation's ability to meet its obligations depends on the successful issuance of this additional capital of which it has signed subscription agreements in place for. The risk that the Corporation will not be successful in closing this capital raise is considered minimal. Should this situation occur, the corporation has alternative sources of financing available to cover operating expenses for the next 12 months until such time it is able to dispose of some or all of an investment in an associate as necessary to meet its obligations. Alternative sources of financing include the collection of shareholder loans and borrowings from associates.

The Corporation's accounts payable are due within 12 months and are subject to normal trade terms. The table below summarizes the future undiscounted contractual cash flow requirements as at September 30, 2024 and December 31, 2023 for the Corporation's financial liabilities. The actual outflow of cash could differ significantly.

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As at September 30, 2024							
	Carrying amount \$	Contractual cash flow \$	2024 \$	2025 \$	2026 \$	2027 \$	2028 and beyond \$
Accounts payable and accrued liabilities	587,082	587,082	587,082	-	-	-	-
Operating loan (note 5)	1,986,930	2,157,586	42,319	2,115,267	-	-	-
Loan from related party (note 6)	1,005,000	1,265,118	15,301	61,204	61,204	61,204	1,066,205 <sup>(1)</sup>
Convertible debentures (note 7)	4,647,654	5,600,000	-	5,600,000	-	-	-
	<u>8,226,666</u>	<u>9,609,786</u>	<u>644,702</u>	<u>7,776,471</u>	<u>61,204</u>	<u>61,204</u>	<u>1,066,205</u>

As at December 31, 2023							
	Carrying amount \$	Contractual cash flow \$	2023 \$	2024 \$	2025 \$	2026 \$	2027 and beyond \$
Accounts payable and accrued liabilities	358,441	358,441	358,441	-	-	-	-
Loan from related party (note 6)	1,095,000	1,307,069	57,252	61,204	61,204	61,204	1,066,205 <sup>(1)</sup>
Convertible debentures (note 7)	5,630,981	7,166,310	1,566,310	5,600,000	-	-	-
	<u>7,084,422</u>	<u>8,831,820</u>	<u>1,982,003</u>	<u>5,661,204</u>	<u>61,204</u>	<u>61,204</u>	<u>1,066,205</u>

<sup>1)</sup> Based on a four year time horizon. As disclosed in note 6 the loan from related party will automatically renew at each maturity date, and the timing of the repayment of the principal portion is not readily determinable.

### Market risk

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

#### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has access to an operating loan with a variable interest rate. Based on outstanding amounts under the credit facility as at September 30, 2024, a 1% movement in the prime rate would increase or decrease the interest expense by approximately \$19,869 (December 31, 2023 – \$nil).

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

# The Western Investment Company of Canada Limited

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### b) Foreign currency risk

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

### 10 Earnings (loss) per common share

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

	September 30, 2024	September 30, 2023
	\$	\$
Net income for the year	\$ 149,959	\$ 1,070,035
Basic weighted average number of common shares outstanding	30,207,756	30,245,979
Effect of dilutive securities	476,352	242,484
Diluted weighted average number of common shares outstanding	30,684,108	30,483,463
Basic earnings (loss) per common share	\$ 0.005	\$ 0.035
Diluted earnings (loss) per common share	\$ 0.005	\$ 0.035

As at September 30, 2024, there were 2,939,000 share options outstanding (December 31, 2023 – 2,939,000). Of these options, 1,430,000 were anti-dilutive (December 31, 2023 – 1,724,000).

### 11 Supplemental cash flow information

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

	September 30, 2024	September 30, 2023
	\$	\$
Accounts receivable	3,453	371
Due from related parties	(343,174)	246,084
Prepaid expenses	(359,678)	(31,742)
Accounts payable and accrued liabilities	228,640	16,410
	(470,759)	231,123

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

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### 12 Due from related parties

The following amounts are due from associates:

	September 30, 2024	December 31, 2023
	\$	\$
Current amounts due from related parties		
GlassMasters' management fees or expense reimbursements	19,977	-
GlassMasters' interest due on promissory note receivable	323,198	-
Foothills' management fees	-	-
	<hr/>	<hr/>
	343,175	-
Long-term amounts due from related parties		
GlassMasters' shareholder loan	351,010	320,917
Foothills' shareholder loan	481,551	419,288
	<hr/>	<hr/>
<b>Total due from related parties</b>	<b>1,175,736</b>	<b>740,205</b>

GlassMasters' shareholder loans are subject to 12% interest per annum compounded monthly. Interest shall accrue on all amounts owing to Western including management fees and cash advances. The loan is composed of cash advances, unpaid management fees and interest. The loan terms are such that it matures annually with automatic renewal if all interest has been paid. There is outstanding unpaid interest on the loan; however, the Board of Directors has indicated that automatic renewal shall continue to occur.

On October 27, 2022, the Corporation advanced \$250,000 to Foothills in the form of a shareholder loan bearing interest at 13% per annum. Unpaid interest and management fees shall be added to the principal sum owing. The loan has a one-year maturity date, with the option to extend for four 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 September 30, 2024, fair value has been determined to equal the \$250,000 principal amount of the loan, plus accrued interest of \$93,738 (December 31, 2023 – \$51,163) and unpaid management fees of \$137,813 (December 31, 2023 – \$118,125). The fair value is based on Level 3 inputs. On October 27, 2024, Western exercised the third option to extend the maturity date for the next six months.

### 13 Related party transactions

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

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For the nine months ended September 30, 2024:

	GlassMasters \$	Golden \$	Foothills \$	Fortress \$	Total \$
Management fees	56,250	-	56,250	-	112,500
Finance income	519,243	-	42,575	-	561,818
Dividends (note 6)	-	90,000	-	-	90,000
Interest expense (note 8)	-	(41,950)	-	-	(41,950)

For the nine months ended September 30, 2023:

	GlassMasters \$	Golden \$	Ocean \$	Foothills \$	Fortress \$	Total \$
Management fees	56,250	-	-	56,250	-	112,500
Finance income	398,597	-	34,439	31,999	-	465,035
Dividends (note 6)	-	105,000	-	-	-	105,000
Interest expense (note 8)	-	(35,498)	-	-	-	(35,498)

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 September 30, 2024, \$19,687 in management fees was due from associates (December 31, 2023 – \$nil).

Finance income relates to interest earned on loans to related parties. As at September 30, 2024, \$447,030 in interest was due from associates (December 31, 2023 – \$51,163).

During the nine months ended September 30, 2024, \$431,433 in salaries and benefits was paid or payable to members of management (September 30, 2023 – \$337,816). Share-based compensation was awarded to directors and management of the Corporation, as disclosed in note 8. \$847,000 of the 2025 Debentures (note 7) are held by directors and management.

## 14 Subsequent events

On October 1, 2024, Western, completed the acquisition of additional shares of Fortress Insurance Company, increasing Western's percentage of ownership in Fortress from 28.45% to 83.57%. The acquisition was paid for by the issuance of Western shares, in which Western issued an aggregate of 25,193,922 common shares at a deemed price of \$0.40 per share in exchange for 3,875,988 shares of Fortress. Western has entered into agreements to acquire the remaining outstanding shares of Fortress payable in either cash, at \$2.60 per Fortress share, or Western Shares at a deemed price of \$0.40 per share, at the option of the shareholder. This final acquisition is expected to close later this year. In line with this acquisition, Western obtained control over Fortress, and its results going forward will be accounted for on a consolidation basis. The Corporation's equity interest will be revalued based on the current acquisition price, and it is estimated that Western will recognize a

# The Western Investment Company of Canada Limited

## Notes to Condensed Interim Financial Statements

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gain of approximately \$2.6 million on this revaluation. The total value of Western's 83.57% interest in Fortress on the close of this acquisition is approximately \$16 million based on the closing price of Western shares of \$0.42 per share on the October 1, 2024. Western is in the process of completing a preliminary purchase price allocation for this acquisition and the final results, including the fair value of acquired assets, liabilities and resulting goodwill, are yet to be determined. Final values are subject to change as work is completed on the purchase.

On October 7, 2024, Western announced that it will be completing a rights offering in which holders of record of the Corporation's common shares, as at the record date of October 15, 2024, will receive rights to subscribe for common shares of the Corporation on the basis of one right for each one common share held. Each Right will entitle the holder to subscribe for one common share of the Corporation at a subscription price of \$0.40 per Common Share. The rights offering will expire on November 29, 2024. As at October 31, 2024, Western had 55,401,678 Common Shares outstanding. A maximum of 55,401,678 common shares will be issued under the rights offering. If all the rights issued are validly exercised, the offering will raise gross proceeds of approximately \$22.16 million, the net proceeds of which will be used for general corporate purposes and future acquisitions of portfolio companies or interests in portfolio companies in the insurance sector.

Western is currently in the process of raising additional capital through a private placement financing, with a maximum offering of \$30 million. This private placement may result in the issuance of up to 75,000,000 units at a price of \$0.40 per unit. Each unit will consist of one common share of the Corporation and one warrant to purchase a common share, with each warrant exercisable to purchase one additional common share for a period of five years from the date of closing at an exercise price of \$0.47. The Corporation plans to use the proceeds from the private placement to fund working capital and provide funds for acquisitions. A portion of the proceeds may be used to pay the cash portion for the purchase of additional shares in Fortress as discussed above. The private placement is expected to close in early December. As of the date of these financial statements, this private placement is fully subscribed with \$30 million in signed subscription agreements.

On October 17, 2024, Western issued 120,000 stock options to directors of the Corporation at a total value of \$40,632.