

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2017
(Unaudited)

INDEX

Page

Consolidated Statements of Financial Position	2
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Changes in Shareholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 18

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2017
(Unaudited)

Notice of disclosure of non-auditor review of condensed interim consolidated financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying condensed interim consolidated financial statements of Western Pacific Trust Company for the period ended September 30, 2017 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

WESTERN PACIFIC TRUST COMPANY**Condensed Interim Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

	Note	(Unaudited) September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		\$ 1,004,767	\$ 1,046,521
Accounts receivable	5	46,033	36,995
Prepaid expenses		13,133	21,800
		1,063,933	1,105,316
Deposits	14	79,160	55,793
Restricted cash	6	5,814	5,785
Property and equipment	7	15,437	18,540
Intangible assets	8	25,611	30,131
		\$ 1,189,955	\$ 1,215,565
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 58,797	\$ 66,028
Deferred revenue		11,663	7,752
Preferred shares	10	100,000	100,000
Subordinated loans - current	9	11,527	-
		181,987	173,780
Subordinated loans - long term	9	41,410	37,804
Deferred gain on subordinated loans	9	28,590	18,723
		251,987	230,307
SHAREHOLDERS' EQUITY			
Common shares	10	1,536,734	1,536,734
Preferred shares, net of share issue costs	10	1,180,905	1,180,905
Reserves		358,284	356,173
Accumulated deficit		(2,137,955)	(2,088,554)
		937,968	985,258
		\$ 1,189,955	\$ 1,215,565

Approved on behalf of the Board

"J. Cowan McKinney"
Director

"Steven Youngman"
Director

WESTERN PACIFIC TRUST COMPANY**Condensed Interim Consolidated Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2017	2016	2017	2016
Revenue					
Consulting and trust service fee income		\$ 13,766	\$ 5,028	\$ 28,666	\$ 24,212
Self-Administered Plan fee income		147,487	147,881	555,721	481,376
Interest		17,627	15,624	49,389	49,069
		178,880	168,533	633,776	554,657
General and administrative expenses	13,16	207,932	186,770	620,454	602,377
Loss from operations		(29,052)	(18,237)	13,322	(47,720)
Amortization of property and equipment	7	(1,034)	(1,261)	(3,103)	(3,781)
Amortization of intangible assets	8	(1,507)	(1,883)	(4,520)	(5,649)
Finance expense	9,13	(1,687)	(1,294)	(5,063)	(10,638)
Amortization of deferred gain on subordinated loans	9	394	-	1,182	-
Share-based payments	11,13	(1,714)	(6,611)	(6,207)	(19,685)
Net loss and comprehensive loss		\$ (34,600)	\$ (29,286)	\$ (4,389)	\$ (87,473)
Loss per share, basic and diluted	10	\$ (0.0020)	\$ (0.0018)	\$ (0.0021)	\$ (0.0051)
Weighted average number of common shares outstanding		25,018,558	25,018,558	25,018,558	25,018,558

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital				Reserves		Total Shareholders' Equity
	Common Shares	Amount	Preferred Shares	Amount	Share-Based Payments	Accumulated Deficit	
Balance, December 31, 2015	25,018,558	\$ 1,536,734	51,750	\$ 504,643	\$ 335,068	\$(1,901,393)	\$ 475,052
Preferred shares issued	-	-	69,200	692,000	-	-	692,000
Share issue costs on preferred shares	-	-	-	(15,738)	-	-	(15,738)
Share-based payments	-	-	-	-	19,685	-	19,685
Dividends paid on preferred shares	-	-	-	-	-	(40,727)	(40,727)
Transfer of options expired	-	-	-	-	(5,190)	5,190	-
Net loss for the period	-	-	-	-	-	(87,473)	(87,473)
Balance, September 30, 2016	25,018,558	\$ 1,536,734	120,950	\$1,180,905	\$ 349,563	\$(2,024,403)	\$ 1,042,799
Balance, December 31, 2016	25,018,558	\$ 1,536,734	120,950	\$1,180,905	\$ 356,173	\$(2,088,554)	\$ 985,258
Share-based payments	-	-	-	-	6,207	-	6,207
Dividends paid on preferred shares	-	-	-	-	-	(49,108)	(49,108)
Transfer of options expired	-	-	-	-	(4,096)	4,096	-
Net loss for the period	-	-	-	-	-	(4,389)	(4,389)
Balance, September 30, 2017	25,018,558	\$ 1,536,734	120,950	\$1,180,905	\$ 358,284	\$(2,137,955)	\$ 937,968

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY**Condensed Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

(Unaudited)

	Nine months ended September 30,	
	2017	2016
Operating activities		
Net loss for the period	\$ (4,389)	\$ (87,473)
Items not involving cash		
Amortization of property and equipment and intangible assets	7,623	9,430
Amortization of deferred gain on subordinated loans	(1,182)	-
Accretion expense on subordinated loans	1,182	-
Share-based payments	6,207	19,685
	9,441	(58,358)
Changes in non-cash working capital balances		
Accounts receivable	(9,038)	(18,788)
Prepaid expenses	8,667	6,070
Deposits and restricted cash	(23,396)	(15,983)
Accounts payable and accrued liabilities	(7,231)	(59,397)
Deferred revenue	3,911	2,364
Net cash used in operating activities	(17,646)	(144,092)
Financing activities		
Proceeds from subordinated loans	25,000	40,000
Repayment of subordinated loans	-	(395,500)
Dividends paid	(49,108)	(40,727)
Proceeds from issuance of preferred shares, net of share issue costs	-	676,262
Net cash provided by (used in) financing activities	(24,108)	280,035
Increase (decrease) in cash during the period	(41,754)	135,943
Cash, beginning of the period	1,046,521	948,051
Cash, end of the period	\$ 1,004,767	\$ 1,083,994

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

1. Corporate Information

Western Pacific Trust Company (the "Company") has been listed on the TSX Venture Exchange since 1999 under stock symbol "WP".

The Company is a British Columbia incorporated, publicly traded, non-deposit taking independent trust company licensed under the *Financial Institutions Act* in British Columbia and the *Loan and Trust Corporations Act* in Alberta to conduct trust business in both provinces. The Company is not authorized to receive or hold funds on deposit. The Company may invest in corporations that carry on businesses described in Chapter 141 of the *Financial Institutions Act*.

The Company acts as Trustee for Self-Administered Registered Retirement Savings Plans ("RRSP"), which permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices. The Company also offers self-administered Tax-Free Savings Accounts ("TFSA"), within which clients can earn tax-free investment income during their lifetime. Qualified investments for both the RRSP and TFSA self-administered accounts include securities in eligible Canadian controlled private corporations, private mutual fund trusts, venture capital corporations, unlisted public companies, as well as arm's length mortgages.

One of the Company's wholly-owned subsidiaries, WP Private Equity Transfers Inc. ("WPPET"), a British Columbia incorporated company, provides transfer agency services for non-listed, non-reporting issuers.

In August 2016, the Company incorporated a wholly owned subsidiary WP Private Health Inc. ("WPPH"), a British Columbia incorporated company, also registered in Alberta. WPPH provides private health plans to small business owners.

On July 31, 2017 the Company acquired 100% of the shares of a private company, with no existing assets or liabilities, to act as Collateral Agent for a certain client in the conduct of its bond business. The wholly owned subsidiary, 1128668 BC Ltd., will be maintained solely for the purpose of offering this service to this one client. The costs of the annual maintenance of this subsidiary will be absorbed by the client, pursuant to the contract between the parties.

The Company had a net loss of \$4,389 for the 9 months period ended September 30, 2017 (net loss of \$87,473 for the 9 months period ended September 30, 2016) and has an accumulated deficit of \$2,137,955 as of September 30, 2017 (December 31, 2016 - \$2,088,554). At September 30, 2017, the Company has cash of \$1,004,767 (December 31, 2016 - \$1,046,521) and working capital of \$881,946 (December 31, 2016 - \$931,536).

The financial statements were approved by the board of directors and authorized for issue on November 22, 2017.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed interim consolidated financial statements do not include all the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

2. Basis of preparation (continued)

2.2 Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company's interim results are not necessarily indicative of its results for the full year.

2.3 Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period in which estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these condensed interim consolidated financial statements and other major sources of measurement uncertainty are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. Summary of significant accounting policies

3.1 Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its integrated wholly-owned subsidiary, WPPET, WPPH, and 1128668 BC Ltd. All material intercompany balances have been eliminated.

3.2 Other accounting policies

For a complete summary of accounting policies, please refer to the audited consolidated financial statements for the year ended December 31, 2016.

3.3 Accounting standards not yet effective

The following are future accounting pronouncements which have not been early adopted by the Company. At this time, management has reviewed these pronouncements and has yet to assess their full impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

3. Summary of significant accounting policies (continued)

3.3 Accounting standards not yet effective (continued)

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

This standard is applicable to the Company's annual periods beginning January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue — Barter Transactions Involving Advertising Services*.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Revenue is recognized based on a five-step model:
 1. Identify the contract with customer;
 2. Identify the performance obligations;
 3. Determine the transaction price;
 4. Allocate the transaction price to the performance obligations; and
 5. Recognize revenue when (or as) the performance obligations are satisfied.
- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

3. Summary of significant accounting policies (continued)

3.3 Accounting standards not yet effective (continued)

This standard is applicable to the Company's annual periods beginning January 1, 2018

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

This standard is applicable to the Company's annual periods beginning January 1, 2019.

4. Financial instruments

4.1 Categories of financial instruments

The Company has classified its financial instruments as follows:

- Cash – as fair value through profit or loss
- Trade accounts receivable and deposits (other than rental deposit) – as loans and receivable
- Restricted cash – as held-to-maturity
- Trade accounts payable and accrued liabilities, preferred shares liability and subordinated loans – as other financial liabilities.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

4. Financial instruments (continued)

4.2 Fair value

The fair values of the financial instruments, other than the preferred shares liability and subordinated loans, approximates their carrying value as at September 30, 2017 and December 31, 2016 due to the demand nature or short-term maturity of these instruments. Preferred shares liability approximates fair value as the amounts represented are at current values. Subordinated loans approximate fair value as they are based on current market rates of interest.

4.3 Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk in respect of cash by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Trade accounts receivable are due from clients. The Company manages credit risk in respect to accounts receivable by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at September 30, 2017 and December 31, 2016.

Concentration of credit risk exists with respect to the Company's cash as the majority of amounts are held at a single major Canadian chartered bank. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2017	December 31, 2016
Cash	\$ 114,309	\$ 134,979
Cash in interest bearing account	890,458	911,542
Total cash	1,004,767	1,046,521
Deposits held by credit card merchant	60,328	36,961
Restricted cash	5,814	5,785
Accounts receivable	46,033	36,995
	\$ 1,116,942	\$ 1,126,262

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements. At September 30, 2017, the Company had trade accounts payable of \$13,469 (December 31, 2016 - \$14,045), which are due for payment in 0 to 3 months, preferred shares of \$100,000 (December 31, 2016 - \$100,000), which is due on demand, subordinated loan of \$11,527 (December 31, 2016 - \$Nil), which is due on demand, and subordinated loan of \$41,410 (December 31, 2016 - \$37,804), which are due for payment in 2026 and 2027.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i) Interest rate risk

Interest rate risk consists of two components:

- a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to any significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to other price risk.

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially for the nine months ended September 30, 2017.

5. Accounts receivable

The Company's trade accounts receivable is aged as follows:

	September 30, 2017	December 31, 2016
Less than 1 month	\$ 7,865	\$ 8,599
1 to 3 months	3,758	5,331
More than 3 months	34,410	23,065
	<u>\$ 46,033</u>	<u>\$ 36,995</u>

The Company anticipates full recovery of these amounts and therefore no allowance has been recorded against accounts receivable.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

6. Restricted cash

The Company's restricted cash consists of a cashable guaranteed investment certificate held as security for the SEDAR program, with interest at 0.5% per annum, and maturing on March 23, 2018. The investment is renewed annually.

7. Property and equipment

	Leasehold Improvements	Furniture and Equipment	Total
Cost			
As at December 31, 2015	\$ 32,062	\$ 165,100	\$ 197,162
Additions	-	-	-
As at December 31, 2016 and September 30, 2017	\$ 32,062	\$ 165,100	\$ 197,162
Accumulated amortization			
As at December 31, 2015	\$ 31,054	\$ 142,528	\$ 173,582
Charge for the year	525	4,515	5,040
As at December 31, 2016	\$ 31,579	\$ 147,043	\$ 178,622
Charge for the period	394	2,709	3,103
As at September 30, 2017	\$ 31,973	\$ 149,752	\$ 181,725
Net book value			
As at December 31, 2016	\$ 483	\$ 18,057	\$ 18,540
As at September 30, 2017	\$ 89	\$ 15,348	\$ 15,437

8. Intangible assets

	Software
Cost	
As at December 31, 2015	\$ 48,206
Additions	-
As at December 31, 2016 and September 30, 2017	\$ 48,206
Accumulated amortization	
As at December 31, 2015	\$ 10,543
Charge for the year	7,532
As at December 31, 2016	\$ 18,075
Charge for the period	4,520
As at September 30, 2017	\$ 22,595
Net book value	
As at December 31, 2016	\$ 30,131
As at September 30, 2017	\$ 25,611

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

9. Subordinated loans

Beginning January 2015 through to November 2015, the Company entered into agreements with related parties for subordinated loans in the aggregate of \$345,500 and agreements with third parties for subordinated loans in aggregate of \$50,000. These loans were due for repayment at various maturity dates from July 29, 2021 through to November 29, 2021. During the year ended December 31, 2016, these loans were repaid.

In January 2015, the Company entered into an agreement for a revolving subordinated loan without interest based on 0.5% of the issuer's cash and client investments held in trust. The agreement states that the value would be calculated each month. The revolving loan advanced by its issuer is proportionate to the value of the assets of that issuer held in trust, and will increase or decrease relative to the value of the assets held. The balance payable as at September 30, 2017 is \$11,527 (December 31, 2016 - \$11,527).

In March 2016, the Company entered into an agreement with one of its trust clients for an interest-free subordinated loan of \$35,000. The loan is due for repayment on March 24, 2026. In September 2016, a second interest-free subordinated loan of \$5,000 was received from the same party. This loan is due on September 2, 2026. In October 2016, a third interest-free subordinated loan of \$5,000 was received from the same party. This loan is due on October 24, 2026. In September 2017, a fourth interest-free subordinated loan of \$25,000 was received from the same party. This loan is due on September 30, 2027. These non-interest-bearing subordinated loans are recorded initially at the fair value, which was calculated based on the application of a fair value interest rate of 6%. The difference between the face value and the initial fair value of the subordinated loans payable of \$28,590 (December 31, 2016 - \$18,723) has been recorded as a deferred gain on subordinated loans. During the period ended September 30, 2017, the Company recognized accretion expense of \$1,182 (December 31, 2016 - \$1,164) included in finance expense, and a recovery from the amortization of deferred gain on subordinated loans of \$1,182 (December 31, 2016 - \$1,164).

As at December 31, 2015	\$	407,027
Additions for the year		45,000
Deferred gain on subordinated loans		(19,887)
Accretion expense		1,164
Repayment for the year		(395,500)
As at December 31, 2016		37,804
Subordinated loan - current		(11,527)
Accretion expense on subordinated loans		1,182
Addition for the period		25,000
Deferred gain on subordinated loans		(11,049)
Subordinated loan - long term	\$	41,410

10. Share capital

10.1 Authorized:

100,000,000	common shares without par value
100,000,000	preferred shares, issuable in series

Issued and outstanding:

25,018,558	(2016 – 25,018,558) common shares
61,750	(2016 – 61,750) Series I preferred shares with a value of \$10 each, including 10,000 Series I preferred shares in preferred share liabilities
69,200	(2016 – 69,200) Series II preferred shares with a value of \$10 each

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital (continued)

10.2 Series I and Series II preferred shares

Series I preferred shares are non-voting, redeemable, non-retractable, and earn non-cumulative dividends equal to 5% per annum of the aggregate value of \$10 per share and a non-cumulative cash payment equal to 1% per annum of the aggregate value of \$10 per share.

Series II preferred shares are non-voting, non-redeemable and earn non-cumulative dividends equal to 5% per annum of the aggregate value of \$10 per share. The Company has the right to redeem the Series II preferred shares at any time on a 30 days' (the "Redemption Period") notice and at any time prior to the expiry of the redemption period, each holder of the Series II preferred shares shall have the right to convert the Series II preferred share into common shares at a conversion ratio equal to the issue price divided by the conversion price of \$0.15 per common share, subject to adjustment.

During the year ended December 31, 2016, the Company issued 69,200 Series II preferred shares for gross proceeds of \$692,000. The Company incurred \$15,738 in share issuance costs for these Series II preferred shares.

During the year ended December 31, 2015, the Company issued 12,000 Series I preferred shares for gross proceeds of \$120,000. The Company incurred \$4,703 in share issuance costs for these Series I preferred shares.

10.3 Preferred share liability

Preferred share liability of \$100,000 (2016 - \$100,000) relates to 10,000 redeemable and retractable Series I preferred shares issued in 2011, which the Company has classified as a financial liability.

10.4 Loss per share

The following is a reconciliation of the numerator in calculating basic and diluted loss per share:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Income/(loss) before adjustment for preferred shares dividends	\$ (34,600)	\$ (29,286)	\$ (4,389)	\$ (87,473)
Amount paid as preferred share dividends	(16,368)	(16,369)	(49,108)	(40,727)
Adjusted loss	(50,968)	(45,655)	(53,497)	(128,200)
Loss per share, basic and diluted	\$ (0.0020)	\$ (0.0018)	\$ (0.0021)	\$ (0.0051)

11. Share-based payments

11.1 Stock options

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. The minimum exercise price of any options granted under the Plan cannot be less than the discounted market price (the last closing price of the shares on the Exchange less a maximum 25% discount). The options are granted for up to a ten-year term. Vesting provisions

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Share-based payments (continued)

11.1 Stock options (continued)

may be imposed at the time of the grant of options at the discretion of the board of directors, except for consultants acting in an investor relations capacity where vesting provisions are prescribed.

On November 19, 2015, the Company granted 890,030 options to directors, officers and employees of the Company. The options are exercisable at \$0.07 per option with vesting terms of one-third on December 31, 2015, one-third on December 31, 2016 and one-third on December 31, 2017 and expire November 18, 2022. An amount of \$6,209 (September 30, 2016 - \$19,685) of share-based payments expense was recognized during the nine months period related to the vesting terms of these options.

During the year ended December 31, 2016, 75,000 options with an exercise price of \$0.10 per option expired unexercised. On expiry, \$5,190 was transferred from reserves to deficit, to remove the previously recognized share-based payment related to expired options.

During the period ended September 30, 2017, 75,000 options with an exercise price of \$0.10 per option expired unexercised. On expiry, \$4,096 was transferred from reserves to deficit, to remove the previously recognized share-based payment related to expired options.

As of the date of these condensed interim consolidated financial statements, no options have been exercised.

11.2 Outstanding stock options

Details of the Company's stock options outstanding as of September 30, 2017 and December 31, 2016 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
As at December 31, 2015	2,875,000	\$ 0.09
Granted	-	\$ -
Expired	(75,000)	\$ 0.10
As at December 31, 2016	2,800,000	\$ 0.09
Granted	-	\$ -
Expired	(75,000)	\$ 0.10
As at September 30, 2017	2,725,000	\$ 0.09

As at September 30, 2017, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	5.14	543,354
November 26, 2022	\$ 0.10	1,909,970	\$ 0.07	5.16	1,909,970
		2,725,000		5.15	2,453,324

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

11. Share-based payments (continued)

11.2 Outstanding stock options (continued)

As at December 31, 2016, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
November 18, 2022	\$ 0.07	890,030	\$ 0.06	5.89	593,354
November 26, 2022	\$ 0.10	1,909,970	\$ 0.07	5.91	1,909,970
		2,800,000		5.90	2,503,324

The total fair value of the incentive options was calculated using the Black-Scholes option pricing model on the date of grant with the following weighted average assumptions and inputs:

Risk-free interest rate	1.23%
Expected volatility	133%
Expected life	7 years
Expected dividend yield	-
Share price	\$0.07
Exercise price	\$0.07
Expected forfeitures	0.00%

Expected stock price volatility was derived from an average volatility based on historical movements in the closing prices of the Company's stock for a length of time equal to the expected life of the options.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.0% in determining the expense recorded in the accompanying condensed interim consolidated statements of comprehensive income.

Share-based payments consists of \$5,066 (December 31, 2016 - \$19,647) to directors and officers and \$1,143 (December 31, 2016 - \$6,647) to employees.

12. Capital disclosures

The Company considers its shareholders' equity, preferred shares liability and subordinated loans to be its capital, which, as at September 30, 2017, amounted to \$1,119,495 (December 31, 2016 - \$1,141,785).

The Company's objective of managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns for shareholders.

The Company maintains sufficient capital to meet its future needs, taking into consideration economic risks inherent in its businesses and regulatory requirements.

Under the *Financial Institutions Act* of British Columbia, the Company is required to meet the regulatory capital as prescribed by the Financial Institutions Commission ("FICOM"). To satisfy the requirements, the Company is required to maintain a minimum capital determined by multiplying the total value of the assets that the Company holds in trust by 0.5%. The Company has complied with the capital requirements as prescribed by FICOM as at September 30, 2017.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

12. Capital disclosures (continued)

The Company reviews the sufficiency of its capital as appropriate and makes necessary adjustments to its capital primarily by raising adequate financing.

There have been no changes to the Company's approach to capital management for the nine months ended September 30, 2017.

13. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. All transactions with related parties are in the normal course of operations. Amounts due to or from related parties are subject to normal trade terms and conditions.

During the nine months ended September 30, 2017 and 2016, the Company incurred the following charges related to management compensation:

	September 30, 2017	September 30, 2016
Management salaries and benefits	\$ 84,552	\$ 79,461
Directors' fees	29,500	30,500
Consulting fees paid to companies controlled by directors	59,000	63,500
Professional fees for consultant	34,781	51,294
Share-based payments	5,066	14,709
Total compensation	\$ 212,899	\$ 239,464

Dividends of \$43,031 (September 30, 2016 - \$40,727) and interest and waiver fee of \$3,416 (September 30, 2016 - \$3,955), included in finance expense, have been paid to directors and close family members of directors.

At September 30, 2017, the Company has \$22,368 (December 31, 2016 - \$29,208) in accounts payable and accrued liabilities due to an officer and directors of the Company and a company controlled by a director.

During the year ended December 31, 2016, the Company repaid \$345,500 subordinated loans held by directors and a close family member of a director. In addition, 69,200 Series II preferred shares with gross proceeds of \$692,000 were received from directors and close family members of directors.

Compensation for key management is for short-term benefits only. Key management personnel do not receive any post-employment or other long-term benefits.

14. Commitments for expenditures

In October 2012, the Company entered into a five-year lease for premises located in Vancouver, British Columbia. Under the terms of the lease, the Company is responsible for basic rent plus operating costs and property taxes commencing March 1, 2013. The Company's commitment for minimum rental payments, calculated based on basic rent is \$5,118 per month for the first two years, \$5,340 per month for the third year and \$5,563 per month for the fourth and fifth years. The operating costs, which are calculated each year, were \$4,169 (2016 - \$4,169) per month and are expected to increase by 4% for each year until the end of the lease term. A security deposit of \$18,832 was paid in August 2012.

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

14. Commitments for expenditures (continued)

In October 2017, the Company entered into a five-year lease for premises located in Vancouver, British Columbia. Under the terms of the lease, the Company is responsible for basic rent plus operating costs and property taxes commencing March 1, 2018. The Company's commitment for minimum rental payments, calculated based on basic rent is \$5,785 per month for the first two years, \$6,008 per month for the last three years. The new lease includes free base rent periods for the months of March 2018, February 2019 and February 2020. The operating costs, which are calculated each year, were \$4,169 (2016 - \$4,169) per month and are expected to increase by 4% for each year until the end of the lease term. The security deposit of \$18,832 paid in August 2012 continues to be held by the lessor.

The Company also has a non-cancellable operating lease for equipment expiring in May 2020. Cash commitments for minimum lease payments in relation to non-cancellable operating leases for equipment and premises as at September 30, 2017, are payable as follows:

Not later than 1 year	\$	110,516
Later than 1 year and not later than 5 years		469,045
Over 5 years		50,883
	\$	630,444

15. Operating segments

The Company operates in one industry segment, the financial services industry, and all operations and assets are situated in Canada.

16. General and administrative expenses

	For the three months ended, September 30,		For the nine months ended, September 30,	
	2017	2016	2017	2016
Salaries and benefits	\$ 92,401	\$ 72,359	\$ 266,323	\$ 235,324
Professional fees	35,232	21,949	115,408	86,396
Rent	29,417	29,220	87,540	86,249
Office and administration	35,396	47,232	97,617	138,396
E&O insurance	3,125	3,125	9,375	7,292
Directors' fees	9,250	8,750	29,500	30,500
Compliance and regulatory	3,110	4,135	14,691	18,220
	\$ 207,931	\$ 186,770	\$ 620,454	\$ 602,377