

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For year ended December 31, 2016
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated as of March 22, 2017, of the consolidated financial condition and results of operations of Western Pacific Trust Company and its wholly-owned subsidiaries, WP Private Equity Transfers Inc. ("WPPET") and WP Private Health Inc. ("WPPH"), (collectively "WPTC" or the "Company") for the year ended December 31, 2016. This discussion should be read in conjunction with the audited Consolidated Financial Statements of the Company and the notes thereto for the year ended December 31, 2016.

Basis of Presentation

The Company's consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The IASB continues to amend and add to current IFRS standards and interpretations. As of the date of this MD&A, none of the new IFRS that have been recently issued have any significant impact on the December 31, 2016 consolidated financial statements.

Forward Looking Statements

This MD&A contains certain forward-looking statements. All statements, included herein, other than statements of historical fact, including without limitation statements regarding the future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will provide accurate information, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in Company documents filed from time-to-time with the regulatory authorities and on www.SEDAR.com. Additional information with respect to the Company can be obtained from the Company's website at www.westernpacifictrust.com.

Overview

Western Pacific Trust Company is a non-deposit taking financial corporation which is licensed under the **Financial Institutions Act ("FIA")** in British Columbia as a Trust Company. WPTC is also registered extra-provincially in Alberta as a non-deposit taking Trust Company.

Self-Administered Plans

WPTC Self-Administered Plans permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices. WPTC also offers self-administered Tax-Free Savings Accounts ("TFSA's"), self-administered Registered Retirement Income Funds ("RRIFs"), and self-administered Locked-In Retirement Accounts ("LIRAs"), within which clients can earn tax-free investment income during their lifetime. Qualified investments for Registered Retirement Savings Plan ("RRSP") and all other self-administered accounts include, but are not limited to, securities in eligible Canadian controlled private corporations, private mutual fund trusts, venture capital corporations, unlisted public companies, as well as arm's length mortgages.

Trust Services

As part of its trust services, WPTC offers strategic counsel, organizational assistance and consults with clients' legal advisors in the establishment and administration of various forms of trusts, an effective vehicle and flexible tool for present and future management of assets.

Client Consulting Services

The Company provides a range of Accounting, Administrative and Corporate Secretarial services to select clients on a fee-for-service basis.

Transfer Agency Services

The Company provides transfer agent and registrar services to unlisted and non-reporting issuer companies. These services are provided through the company's wholly-owned subsidiary, WPPET, a British Columbia incorporated company.

Private Health Plans

Through its wholly-owned subsidiary, WPPH, the Company offers private health care plans for small business owners. Not insurance, rather a tax planning tool, these plans help clients who own small corporations save taxes, and reduce the after tax cost of health care for themselves and their families.

Selected Annual Information and Results of Operations

The following selected consolidated financial data for the three most recently completed financial years should be read in conjunction with the Company's audited consolidated financial statements for the respective years. The Company's consolidated financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2016. The Company's functional and reporting currency is the Canadian dollar.

Statements of Financial Position-selected information	As at December 31,		
	2016	2015	2014
Total current assets	\$ 1,105,316	\$ 997,262	\$ 581,432
Total non-current assets	110,249	100,357	82,668
Total assets	1,215,565	1,097,619	664,100
Total current liabilities	173,780	215,539	175,906
Total non-current liabilities	56,527	407,027	-
Total equity	985,258	475,053	488,194
Total liabilities and shareholders' equity	\$ 1,215,565	\$ 1,097,619	\$ 664,100

The \$108,054 increase in current assets as at December 31, 2016 compared to December 31, 2015 is mainly due to proceeds raised from the issuance of Series II preferred shares. The \$415,830 increase in current assets as at December 31, 2015 from December 31, 2014 was primarily due to the injection of cash from subordinated loans issued throughout the year and proceeds raised from the issuance of Series I preferred shares.

Total non-current assets increased by \$9,892 as at December 31, 2016 compared to December 31, 2015 due to the increase of deposits on funds held by the credit card company for processing fee income transactions. The increase in non-current assets of \$17,689 in 2015 compared to 2014 is due to the inclusion of deposits on funds held by the credit card company for processing fee income transactions as well as cost of the back-office software development in 2015.

Total current liabilities decreased by \$41,759 to \$173,780 as at December 31, 2016, compared to December 31, 2015 due to a decrease in accounts payable at year-end of \$15,963; a decrease of \$24,874 in accrued liabilities related to the accrued professional fees for the one-time regulatory, compliance and legal expenses in connection with the issuance of preferred shares at the end of 2015 which has since been paid, and a decrease of \$922 in deferred revenue. The decrease of \$350,500 in non-current liabilities is due to the repayment of subordinated loans during the year.

The total equity increased by \$510,205 in 2016 from the previous year, due to net proceeds of \$676,262 from issuance of Series II preferred shares and the recording of the fair value of the share-based payment expense of \$26,294, offset by a net loss of \$135,255 for the year ended December 31, 2016 and the payment of dividends of \$57,096 on preferred shares. For the 2015 year, the total equity decreased by \$13,141 due to the net loss of \$125,877 for the year ended December 31, 2015 and the payment of

dividends of \$24,875 on preferred shares, offset by the preferred share issuance of \$120,000, net of share issue costs of \$4,703, and \$22,314 for the fair value of the accrual and vested portion of options granted during the year 2015.

Statements of Comprehensive Loss	Years ended December 31,		
	2016	2015	2014
Total revenue	\$ 710,654	\$ 684,022	\$ 589,766
Total general and administrative expenses	(795,111)	(759,649)	(723,909)
Net loss before amortization, finance expense and share-based payments	(84,457)	(75,627)	(134,143)
Amortization	(12,572)	(12,968)	(9,189)
Finance expense	(13,096)	(14,968)	(10,661)
Amortization of deferred gain on subordinated loans	1,164	-	-
Share-based payments	(26,294)	(22,314)	-
Net loss	\$ (135,255)	\$ (125,877)	\$ (153,993)
Loss per share (basic and diluted)	\$ (0.008)	\$ (0.006)	\$ (0.007)

Loss before amortization, finance expense and share-based payments is a non-GAAP financial measure which has no standard meaning under IFRS. Management is of the opinion that certain investors use this information, in addition to more conventional measures prepared in accordance with IFRS, to evaluate the Company's performance and ability to generate liquidity through operating cash flows.

Results of Operations during the Year Ended December 31, 2016

Revenues

Notwithstanding fewer than expected new self-administered plans opened during 2016, revenues for the year increased by \$26,632 compared to 2015. This is primarily due to an increase of \$31,962 (5.5%) in self-directed service fees over the past year was offset by a decrease of \$4,630 in interest income due to the decrease in interest rates offered on deposits from the funds held with the Company's bank.

Expenses

Total general and administrative increased by \$35,461 compared to 2015. This was primarily due to \$11,000 increase in consulting fees paid, \$10,417 E&O insurance, and increased directors' fees over the period due to the replacement of a non-independent director with an independent director in late 2015.

The decrease in finance expense of \$1,872 is due to the repayment of all interest-bearing subordinated loans, which reduced the interest costs.

The share-based payments expense is the amortized amount in respect of the vesting of options that were granted on November 19, 2015.

Summary

2016 saw a 3.9% increase in total revenue, and an increase of 4.7% in total general and administrative expenses over the previous year. This resulted in a loss from operations of \$84,457, compared to a loss from operations of \$75,627 for 2015, and a net loss of \$135,255 for the year ended December 31, 2016, compared to a net loss of \$125,877 for the previous year.

Summary of Quarterly Results

The following is selected financial information for the last eight quarters. The Company's condensed interim consolidated financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company's functional and reporting currency is the Canadian dollar.

Quarter ended		Total revenue	Net income (loss) and comprehensive loss	Earnings (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q4/16	December 31, 2016	155,997	(47,780)	(0.003)	1,215,565
Q3/16	September 30, 2016	168,533	(29,286)	(0.002)	1,252,834
Q2/16	June 30, 2016	152,454	(80,021)	(0.004)	1,281,555
Q1/16	March 31, 2016	233,670	21,832	0.001	1,267,568
Q4/15	December 31, 2015	159,557	(83,548)	(0.004)	1,097,619
Q3/15	September 30, 2015	155,900	(28,600)	(0.001)	874,110
Q2/15	June 30, 2015	154,190	(36,489)	(0.001)	877,301
Q1/15	March 31, 2015	214,375	22,760	0.001	772,649

Revenues and Net Loss for each quarter

The fluctuations in total revenue from quarter to quarter are due primarily to variations in revenue from self-administered plans.

Total revenue decreased for the last quarter of 2016 compared to the third quarter of 2016 due a lower than average number of self-administered plans opened by clients during the three month period. The increase in the net loss for the last quarter of 2016 compared to the third quarter of 2016 is due to the decrease in self-administered revenue, and increased expenses, primarily for the update of the Company's website.

The decrease in total assets for the third and last quarter in 2016 is due to the loss from operations, and dividends paid on Series I and Series II preferred shares.

The increase in total assets for the second quarter of 2016 is due to additional proceeds of \$196,000 from the April 2016 closing of the second tranche of the Company's private placement of Series II preferred shares (gross proceeds for the private placement - \$692,000), offset by the repayment of \$50,000 subordinated debt; \$7,719 dividends paid on Series I preferred shares; \$8,551 dividends paid on Series II preferred shares; and a loss from operations.

The increase in total assets during the first quarter in 2016 is due to the closing of the first tranche of the Company's private placement for Series II preferred shares with gross proceeds of \$496,000 offset by the repayment of subordinated loans of \$310,500 and \$8,089 of dividends paid on Series I preferred shares.

The net loss for the last quarter for the 2015 year increased compared to the third quarter of 2015 due to the recording of \$22,314 for share-based payment expenses for options granted in the last quarter of the year, the increase in professional fees paid for legal, regulatory compliance and contract CFO fees. The total assets in the last quarter increased due to cash provided by the issuance of preferred shares and subordinated loans.

Outlook

Self-Administered Plans

Trustee services for Self-Administered Plans are required for any issuer wishing to offer RRSP or TFSA eligible products, either directly under available prospectus exemptions, or through an Exempt Market Dealer ("EMD"), as well as investors wishing to purchase an exempt market security in an RRSP or TFSA. Such investments include, but are not limited to, private Mutual Fund Trusts, eligible Canadian Controlled Private Corporations, Venture Capital Corporations, Eligible Business Corporations, unlisted public companies and arm's length mortgages.

The Annual trustee fees earned from each plan build year-over-year for the life of the plan, creating a continuing revenue base for each succeeding year. Transactional fees earned on new accounts increase in proportion to the numbers of plans opened, in addition to transaction fees generated for new purchases in existing accounts.

The Company is steadily gaining more recognition in the private capital markets as a trustee for self-administered plans holding qualified investments. While WPTC certainly offers competitive pricing, it is the commitment to offering knowledgeable and responsive service delivered on a consistent basis which distinguishes our company in the market place.

Shareholder Records

The provision of shareholder records and registry services for unlisted and non-reporting issuer companies are offered through the Company's wholly-owned subsidiary, WP Private Equity Transfers Inc., a British Columbia incorporated company.

Private Health Plans

Wholly-owned subsidiary, WP Private Health Inc., incorporated in August 2016, offers private health care plans for small business owners. Not insurance, rather a tax planning tool for financing the healthcare costs of small business owners and their families, these private health care plans help them to save taxes, and reduce the after tax cost of health care.

Client Consulting Services

The Company continues to offer a range of administrative and accounting services offered to select clients.

Liquidity

Western Pacific Trust Company - Capital Adequacy

As a trust company, the Company is governed by the Financial Institutions Commission pursuant to the *Financial Institutions Act* (British Columbia). The Company is required to submit to the Financial Institutions Commission, on a monthly basis, within 30 days of each month end, a "British Columbia Trust Company Quarterly Financial Return" in which a Capital Adequacy calculation is required to set forth the Primary Capital (Shares, Retained Earnings and Reserves) and the Secondary Capital (Subordinated Debt and Other equity investments) to arrive at the Company's Capital Base. The Required Capital Base is calculated as 0.5% of the Assets Held in Trust.

As at December 31, 2016, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at December 31, 2016, the Company had working capital of \$931,536 (2015 - \$781,723) available to fund its operations. During 2016 the Company raised \$692,000 in through a private placement of 69,200 Series II Convertible Preferred shares which closed in two tranches in March and April 2016 respectively. Subordinated debt in the aggregate amount of \$395,000, issued by the Company between January 2015 and November 2015 and due for repayment in 2021, was repaid during the year ended December 31, 2016.

As at December 31, 2016, the Company has subordinated debt outstanding in the aggregate amount of \$56,527 owed to two unrelated parties in the amounts of \$11,527 and \$45,000 respectively. These subordinated loans bear no interest.

Off-Balance Sheet Arrangements

Other than revenues related to Self-Administered Plan beyond the reporting period, the Company does not have any off balance sheet items that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Transactions with Related Parties

Pursuant to the requirements of the Financial Institutions Act, WPTC's Conduct Review Committee is required to approve all related party transactions of the Company and report same to the Directors at meetings of the Board, which are held quarterly.

Management personnel includes directors and officers of the Company. Management salaries include compensation and benefits paid to directors, officers and consultants of the Company in the normal course of business. Share-based payments consists of stock option issuances.

The following transactions with related parties for the years ended December 31, 2016 and 2015 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2016	December 31, 2015
Management salaries	\$ 105,934	\$ 131,629
Directors' fees	40,750	37,000
Consulting fees paid to companies controlled by directors	83,000	78,000
Professional fees for consultant	62,363	10,000
Share-based payments	19,647	16,673
Total compensation	\$ 311,694	\$ 273,302

Dividends of \$48,496 (2015 - \$16,775) and interest and waiver fee of \$9,812 (2015 - \$12,850), included in finance expense, have been paid to directors and close family members of directors.

At December 31, 2016, the Company has \$29,208 (2015 - \$37,275) 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 (2015 – issued \$345,500) subordinated loans held by directors and a close family member of a director. In addition, 69,200 Series II (2015 – 12,000 Series I) preferred shares with gross proceeds of \$692,000 (2015 - \$120,000) were subscribed by directors and close family members of directors.

Financial Instruments

As at December 31, 2016, the Company had not entered into any derivative financial instruments as a method of managing market risks associated with interest rates and foreign exchange fluctuations. Note 4 to the audited consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

Risks and Uncertainties

Dependence on major clients

Plans opened for the Company's three largest issuer clients comprise a significant percentage of total revenues. Although these issuers are large entities, any disruption in the Company's relationships with these major clients or any decrease in revenue from them, could have an adverse effect on the Company.

Tax laws

The tax laws in Canada and abroad are continually changing.

Dependence on key personnel

Loss of certain members of the executive team or key management members of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacements are found. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

Outstanding Share Information

As at the date of this report there are 25,018,558 Common shares, 61,750 Series I Preferred shares and 69,200 Series II Preferred shares are issued and outstanding. The terms of the preferred shares are described in the audited consolidated financial statements.

Share Purchase Options

A total of 5,003,711 Common Shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

As at the date of this report, there are a total 2,800,000 shares under option, and 2,203,711 shares reserved and available for issuance under the Plan.

Of the 2,800,000 outstanding options, 1,909,970 are fully vested, exercisable at a price of \$0.10 per share until expiry November 26, 2022, while 593,354 of the 890,030 options granted on November 19, 2015 are currently vested and exercisable at a price of \$0.07 per share until expiry November 18, 2022. The remainder of 296,676 of the 890,030 options will vest and are exercisable at a price of \$0.07 per share until expiry November 18, 2022 on December 31, 2017.

Proposed Transactions

As of the date of this report, there are no significant transactions, acquisition or disposition of businesses or assets currently being discussed or transacted.

Change in Accounting Policies and Initial Adoption

Future accounting pronouncements related to IFRS 9 *Financial Instruments* (2014), IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* (see audited consolidated financial statements for the year ended December 31, 2016), have been issued and reviewed by management but are not yet effective. These pronouncements have not been early adopted by the Company and the Company has yet to assess the full impact.

Directors

As of the date of this report, the Board of Directors is composed of the following:

J. Cowan McKinney, FCPA, FCA	Board Chair
G. Benjamin Cutler	
John C.A. de Wit, CPA, CA	
Anthony Liscio, DDS	
Robert W. Macdonald	
Steven O. Youngman, B.Comm., LL.B	Deputy Board Chair