

WESTERN PACIFIC TRUST COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTERN PACIFIC TRUST COMPANY

We have audited the accompanying consolidated financial statements of Western Pacific Trust Company, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western Pacific Trust Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2017

WESTERN PACIFIC TRUST COMPANY
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		\$ 1,046,521	\$ 948,051
Accounts receivable	5	36,995	28,730
Prepaid expenses		21,800	20,481
		1,105,316	997,262
Deposits	14	55,793	33,514
Restricted cash	6	5,785	5,600
Property and equipment	7	18,540	23,580
Intangible assets	8	30,131	37,663
		\$ 1,215,565	\$ 1,097,619
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 66,028	\$ 106,865
Deferred revenue		7,752	8,674
Preferred shares	10	100,000	100,000
		173,780	215,539
Subordinated loans	9	37,804	407,027
Deferred gain on subordinated loans	9	18,723	-
		230,307	622,566
SHAREHOLDERS' EQUITY			
Common shares	10	1,536,734	1,536,734
Preferred shares, net of share issue costs	10	1,180,905	504,643
Reserves	11	356,173	335,069
Accumulated deficit		(2,088,554)	(1,901,393)
		985,258	475,053
		\$ 1,215,565	\$ 1,097,619

Approved on behalf of the Board

"J. Cowan McKinney"
Director

"Steven Youngman"
Director

WESTERN PACIFIC TRUST COMPANY
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		For the years ended	
	Note	December 31, 2016	December 31, 2015
Revenue			
Consulting and trust service fee income		\$ 32,437	\$ 33,137
Self-Administered Plan fee income		614,026	582,064
Interest		64,191	68,821
		710,654	684,022
General and administrative expenses	13,16	795,111	759,649
		(84,457)	(75,627)
Loss from operations			
Amortization of property and equipment	7	(5,040)	(5,833)
Amortization of intangible assets	8	(7,532)	(7,135)
Finance expense	9, 13	(13,096)	(14,968)
Amortization of deferred gain on subordinated loans	9	1,164	-
Share-based payments	11,13	(26,294)	(22,314)
		\$ (135,255)	\$ (125,877)
Net loss and comprehensive loss			
Earnings per share, basic and diluted	10	\$ (0.008)	\$ (0.006)
Weighted average number of common shares outstanding		25,018,558	25,018,558

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

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

(Expressed in Canadian Dollars)

	Share Capital				Reserves		Total Shareholders' Equity
	Common Shares	Amount	Preferred Shares	Amount	Share-based Payments	Accumulated Deficit	
Balance, December 31, 2014	25,018,558	\$ 1,536,734	39,750	\$ 389,346	\$ 323,985	\$(1,761,871)	\$ 488,194
Preferred shares issued	-	-	12,000	120,000	-	-	120,000
Share issue costs on preferred shares	-	-	-	(4,703)	-	-	(4,703)
Dividends paid on preferred shares	-	-	-	-	-	(24,875)	(24,875)
Share-based payments	-	-	-	-	22,314	-	22,314
Transfer of options expired	-	-	-	-	(11,230)	11,230	-
Net loss for the year	-	-	-	-	-	(125,877)	(125,877)
Balance, December 31, 2015	25,018,558	\$ 1,536,734	51,750	\$ 504,643	\$ 335,069	\$(1,901,393)	\$ 475,053
Preferred shares issued	-	-	69,200	692,000	-	-	692,000
Share issue costs on preferred shares	-	-	-	(15,738)	-	-	(15,738)
Share-based payments	-	-	-	-	26,294	-	26,294
Dividends paid on preferred shares	-	-	-	-	-	(57,096)	(57,096)
Transfer of options expired	-	-	-	-	(5,190)	5,190	-
Net loss for the year	-	-	-	-	-	(135,255)	(135,255)
Balance, December 31, 2016	25,018,558	\$ 1,536,734	120,950	\$1,180,905	\$ 356,173	\$(2,088,554)	\$ 985,258

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

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

(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2016	December 31, 2015
Operating activities		
Net loss for the year	\$ (135,255)	\$ (125,877)
Items not involving cash		
Amortization of property and equipment and intangible assets	12,572	12,968
Amortization of deferred gain on subordinated loans	(1,164)	-
Accretion expense on subordinated loans	1,164	-
Share-based payments	26,294	22,314
	(96,389)	(90,595)
Changes in non-cash working capital balances		
Accounts receivable	(8,265)	6,347
Prepaid expenses	(1,319)	2,136
Deposits and restricted cash	(22,464)	(14,682)
Accounts payable and accrued liabilities	(40,837)	35,745
Deferred revenue	(922)	3,888
Net cash used in operating activities	(170,196)	(57,161)
Investing activities		
Property and equipment acquired	-	(2,566)
Intangible assets acquired	-	(13,409)
Net cash used in investing activities	-	(15,975)
Financing activities		
Proceeds from subordinated loans	45,000	407,027
Repayment of subordinated loans	(395,500)	-
Dividends paid	(57,096)	(24,875)
Proceeds from issuance of preferred shares, net of share issue costs	676,262	115,297
Net cash provided by financing activities	268,666	497,449
Increase in cash during the year	98,470	424,313
Cash, beginning of the year	948,051	523,738
Cash, end of the year	\$ 1,046,521	\$ 948,051

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

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

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.

The Company had a net loss of \$135,255 for the year ended December 31, 2016 (2015 - \$125,877) and has an accumulated deficit of \$2,088,554 as of December 31, 2016 (2015 - \$1,901,393). At December 31, 2016, the Company has cash of \$1,046,521 (2015 - \$948,051) and working capital of \$931,536 (2015 - \$781,723). The continuing operations of the Company are dependent upon its ability to achieve profitable operations in the future, and raise additional financing from the issuance of shares, loans, or from other sources.

These consolidated financial statements were approved by the board of directors and authorized for issue on March 22, 2017.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

2.2 Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

2.3 Critical accounting judgments and estimates

The preparation of consolidated 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 estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these consolidated financial statements and other major sources of measurement uncertainty are discussed in note 3.2.

3. Summary of significant accounting policies

3.1 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its integrated wholly owned subsidiaries, WPPET and WPPH. All material intercompany balances have been eliminated in these consolidated financial statements. Subsidiaries are all entities over which the Company has control. Control is based on whether an investor has power over the investee, exposure of rights to variable returns from its involvement with the investee, and ability to use its power over the investee to affect the amount of returns.

3.2 Significant accounting judgments and estimates

a) Collectability of receivables

Receivables comprise amounts due from consulting and trust service fee and Self-Administered Plan fee income. The receivables are reviewed on a regular basis to determine their collectability. At December 31, 2016, management is of the opinion that the Company's balance is collectable.

b) Amortization of property and equipment and intangible assets

Property and equipment and intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is calculated on a declining-balance basis for computer software and furniture and equipment, and on a straight-line basis for leasehold improvements over the term of the lease. Amortization rates used are based on standard rates for the corresponding assets, and reflect management's best estimate of the useful lives of these assets.

c) Accrued liabilities

Management makes estimates of the obligations of the Company as a result of past transactions. The estimates are reviewed on an ongoing basis and revisions to the estimates are recognized in the period in which the estimate is revised.

d) Deferred income tax assets

In assessing the probability of realizing income tax assets, management makes educated estimates related to future net taxable income. Management believes that its estimates are reasonable, but actual results may differ.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.2 Significant accounting judgments and estimates (continued)

e) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

f) Share-based payments

Assumptions are used in determining share-based payments. The fair value of stock options are subject to the limitation of the Black-Scholes option pricing model that requires market data and estimates used by the Company in the assumptions. These inputs are subjective assumptions and changes in these inputs can materially affect the fair value estimated.

g) Interest rate

The Company estimates a fair value interest rate in determining the fair value of long-term subordinated loans payable. The determination of the fair value interest rate is subjective and changes to the business or market rates of interest could materially affect the fair value estimated.

3.3 Revenue recognition

Consulting and trust services fee income and Self-Administered Plan fee income are recognized when services are provided.

Interest income is accrued on a time-apportioned basis by reference to the carrying value using the effective interest rate method. The Company also accrues and recognizes interest income earned on funds held in trust.

3.4 Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, with any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Amortization is provided at rates calculated to write off the cost of equipment less their estimated residual value as follows:

- Furniture and equipment 20% per year, on a declining-balance basis
- Leasehold improvements over term of office lease (approximately five years), on a straight-line basis

An item of property and equipment is derecognized upon disposal, when held for resale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.5 Intangible assets

Intangible assets consist of trust management operations software. It is a definite-lived intangible asset being amortized 20% per year, on a declining-balance basis. The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying value may not be recoverable.

3.6 Taxation

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of income tax assets is reviewed each reporting period and is reduced to the extent it is no longer probable the benefit will be realized.

3.7 Share-based payments

The Company has a stock option plan that is described in note 11. Stock options to employees are measured at the fair value of the instruments issued and amortized over the vesting period. Stock option payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

3.8 Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.10 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss

This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment charges.

Available-for-sale

Available-for-sale assets are non-derivative financial assets, carried at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income, within equity. When the available-for-sale asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the period.

Held-to-maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment including impairment losses are recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities in the following categories: financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in net loss and comprehensive loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the consolidated statements of comprehensive loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.10 Financial instruments (continued)

Classification of financial instruments

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.11 Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Preferred shares

Preferred shares issued by the Company contain provisions that allow the holders of the preferred shares to put those shares to the Company for redemption ("right of retraction"). Where the holder of the preferred shares has waived their right of retraction, the associated preferred shares are presented as equity of the Company. In cases where the holder of the preferred shares has retained their right of retraction, the associated preferred shares are presented as a liability.

3.13 Recent accounting pronouncements

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.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.13 Recent accounting pronouncements (continued)

IFRS 9 Financial Instruments (continued)

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

- *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.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

3.13 Recent accounting pronouncements (continued)

IFRS 15 *Revenue from Contracts with Customers* (continued)

- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

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.

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
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4. Financial instruments

4.1 Categories of financial instruments

The Company has classified its financial instruments as follows:

- Cash – as FVTPL
- Accounts receivable and deposits – as loans and receivable
- Restricted cash – as held-to-maturity
- Accounts payable and accrued liabilities, preferred shares liability and subordinated loans – as other financial liabilities.

4.2 Fair value

The fair values of the financial instruments, other than cash, the preferred shares liability and subordinated loans, approximate their carrying value as at December 31, 2016 and 2015 due to the demand nature or short-term maturity of these instruments. 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 in 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 December 31, 2016 and 2015.

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:

	December 31, 2016	December 31, 2015
Cash	\$ 134,979	\$ 300,510
Cash in interest-bearing account	911,542	647,541
Total cash	1,046,521	948,051
Deposits held by credit card merchant	36,961	14,682
Restricted cash	5,785	5,600
Accounts receivable	36,995	28,730
	\$ 1,126,262	\$ 997,063

WESTERN PACIFIC TRUST COMPANY
Notes to the Consolidated Financial Statements
Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

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 December 31, 2016, the Company had accounts payable and accrued liabilities of \$60,736 (2015 - \$100,068), which are due for payment in zero to three months, preferred shares of \$100,000 (2015 - \$100,000), which is due on demand, and subordinated loans of \$37,804 (2015 - \$407,027), which are due for payment in 2026.

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 exposed to interest rate risk on its long-term subordinated loans.

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 year ended December 31, 2016.

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5. Accounts receivable

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

	December 31, 2016	December 31, 2015
Less than 1 month	\$ 8,599	\$ 9,552
1 to 3 months	5,331	4,316
More than 3 months	23,065	14,862
	<u>\$ 36,995</u>	<u>\$ 28,730</u>

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

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 0.50% (2015 - 0.65%) per annum, and maturing March 21, 2017. The investment is renewed annually.

7. Property and equipment

	Leasehold Improvements	Furniture and Equipment	Total
Cost			
As at December 31, 2014	\$ 32,062	\$ 162,534	\$ 194,596
Additions	-	2,566	2,566
As at December 31, 2015 and 2016	<u>\$ 32,062</u>	<u>\$ 165,100</u>	<u>\$ 197,162</u>
Accumulated amortization			
As at December 31, 2014	\$ 30,528	\$ 137,221	\$ 167,749
Charge for the year	526	5,307	5,833
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	<u>\$ 31,579</u>	<u>\$ 147,043</u>	<u>\$ 178,622</u>
Net book value			
As at December 31, 2015	\$ 1,008	\$ 22,572	\$ 23,580
As at December 31, 2016	<u>\$ 483</u>	<u>\$ 18,057</u>	<u>\$ 18,540</u>

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8. Intangible assets

	<u>Software</u>
Cost	
As at December 31, 2014	\$ 34,797
Additions	13,409
As at December 31, 2015 and 2016	\$ 48,206
Accumulated amortization	
As at December 31, 2014	\$ 3,408
Charge for the year	7,135
As at December 31, 2015	10,543
Charge for the year	7,532
As at December 31, 2016	\$ 18,075
Net book value	
As at December 31, 2015	\$ 37,663
As at December 31, 2016	\$ 30,131

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 up to December 31, 2016 is \$11,527 (2015 - \$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. 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 of \$45,000 and the initial fair value of the subordinated loans payable of \$19,887 (2015 - \$nil) has been recorded as a deferred gain on subordinated loans. During the year ended December 31, 2016, the Company recognized accretion expense of \$1,164 (2015 - \$nil) included in finance expenses, and a recovery from the amortization of deferred gain on subordinated loans of \$1,164 (2015 - \$nil).

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9. Subordinated loans (continued)

As at December 31, 2014	\$	-
Additions for the year		407,027
<hr/>		
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 in the year		(395,500)
<hr/>		
As at December 31, 2016	\$	37,804

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 (2015 – 25,018,558) common shares
61,750 (2015 – 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 (2015 - nil) Series II preferred shares with a value of \$10 each

10.2 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 (2015 - \$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.

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10. Share capital (continued)

10.4 Loss per share

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

	For the years ended December 31,	
	2016	2015
Net loss for the year	\$ 135,255	\$ 125,877
Amount paid as preferred share dividends	57,096	24,875
Adjusted loss	\$ 192,351	\$ 150,752
Loss per share, basic and diluted	\$ 0.008	\$ 0.006

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 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 \$26,294 (2015 - \$22,314) of share-based payments expense was recognized during the year ended December 31, 2016 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 (2015 - 100,000 options with an exercise price of \$0.12 per option) expired unexercised. On expiry, \$5,190 (2015 - \$11,230) was transferred from reserves to deficit, to remove the previously recognized share-based payment related to expired options.

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

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11. Share-based payments (continued)

11.2 Outstanding stock options

Details of the Company's stock options outstanding as of December 31, 2016 and 2015 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
At December 31, 2014	2,084,970	\$ 0.11
Granted	890,030	\$ 0.07
Expired	(100,000)	\$ 0.12
At December 31, 2015	2,875,000	\$ 0.09
Expired	(75,000)	\$ 0.10
At December 31, 2016	2,800,000	\$ 0.09

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

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

As at December 31, 2015, the following stock options issued to directors and employees of the Company were outstanding and exercisable:

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	6.91	296,677
November 26, 2022	\$0.10	1,984,970	\$0.07	6.89	1,984,970
		2,875,000		6.90	2,281,647

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

	December 31, 2016	December 31, 2015
Risk-free interest rate	N/A	1.23%
Expected volatility	N/A	133%
Expected life	N/A	7 years
Expected dividend yield	N/A	-
Share price	N/A	\$ 0.07
Exercise price	N/A	\$ 0.07
Expected forfeitures	N/A	0.00%

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11. Share-based payments (continued)

11.2 Outstanding stock options (continued)

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 consolidated statements of comprehensive loss.

Share-based payments consists of \$19,647 (2015 - \$16,673) to directors and officers and \$6,647 (2015 - \$5,641) to employees.

12. Capital disclosures

The Company considers its shareholders' equity, preferred shares liability and subordinated loans to be its capital, which, as at December 31, 2016, amounted to \$1,141,785 (2015 - \$982,080).

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 requirements 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 December 31, 2016.

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 year ended December 31, 2016.

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.

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13. Related party transactions and balances (continued)

During the years ended December 31, 2016 and 2015, the Company incurred the following charges related to management compensation:

	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.

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 (2015 - \$3,994) 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.

The Company also has a non-cancellable operating lease for equipment expiring in May 2017. Cash commitments for minimum lease payments in relation to non-cancellable operating leases for equipment and premises as at December 31, 2016, are payable as follows:

Not later than 1 year	\$ 118,227
Later than 1 year and not later than 5 years	19,464
	\$ 137,691

15. Operating segments

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

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16. General and administrative expenses

	For the years ended December 31	
	2016	2015
Salaries and benefits	\$ 314,182	\$ 350,612
Professional fees	180,965	133,049
Rent	115,445	111,271
Office and administration	113,253	106,951
E&O insurance	10,417	-
Directors' fees	40,750	37,000
Compliance and regulatory	20,099	20,766
	<u>\$ 795,111</u>	<u>\$ 759,649</u>

17. Income taxes

The reconciliation of income taxes computed at statutory rates to the reported income tax provision is as follows:

	For the years ended December 31	
	2016	2015
Loss before income tax	\$ 135,255	\$ 125,877
Income tax at statutory rates	26%	26%
Income tax benefit at Canadian statutory rates	35,166	32,728
Other items	(991)	(7,031)
Under provided in prior years	2,452	56,847
Non-capital losses expired	-	(225,081)
Unused tax losses and tax offsets	(36,627)	142,537
	<u>\$ -</u>	<u>\$ -</u>

Current statutory tax rates consist of 11% for British Columbia tax and 15% for federal corporate tax for a total tax rate of 26%.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31	
	2016	2015
Non-capital losses carried forward	\$ 3,787,643	\$ 3,667,782
Capital losses carried forward	5,723	5,723
Differences between book value and tax value of property and equipment	179,411	166,837
Share issue costs	15,412	7,315
Cumulative eligible capital deduction	787,769	787,428
Unused losses and deductible temporary differences	<u>\$ 4,775,958</u>	<u>\$ 4,635,085</u>

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17. Income taxes (continued)

The consolidated financial statements do not reflect the potential tax reductions that may be available through the application of non-capital losses of \$3,787,643 to be carried forward and applied against future years' taxable income. The losses expire as follows:

Year	Amount
2026	\$ 759,909
2027	622,081
2028	283,257
2029	402,072
2030	411,086
2031	244,225
2032	369,505
2033	329,221
2034	153,501
2035	92,925
2036	119,861
Unused losses and deductible temporary differences	\$ 3,787,643