

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the nine months ended September 30, 2018
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated November 19, 2018, of the interim consolidated financial condition and results of operations of Western Pacific Trust Company and its wholly-owned subsidiaries, WP Private Equity Transfers Inc. ("WPPET"), WP Private Health Inc. ("WPPH") and 1128668 BC Ltd. (collectively "WPTC" or the "Company") for the nine months ended September 30, 2018. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the nine months ended September 30, 2018 (the "Financial Statements").

Basis of Presentation

The Company's condensed interim 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 standards that have been recently issued have any significant impact on the September 30, 2018 condensed interim 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 institution 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 Plans ("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.

Collateral Agency Service

The Company acts 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.

Results of Operations

The following selected consolidated financial data for the nine months period ended September 30, 2016 to September 30, 2018 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the respective periods.

| | Nine months ended September 30 | | |
|--|--------------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Total revenue | \$ 720,336 | \$ 633,776 | \$ 554,657 |
| Total general and administrative expenses | 654,097 | 620,454 | 602,377 |
| Net income before amortization, finance expense and share-based payments | 66,239 | 13,322 | (47,720) |
| Amortization | (6,126) | (7,623) | (9,430) |
| Finance expense | (9,551) | (5,063) | (10,638) |
| Amortization of deferred gain on subordinated loans | 1,906 | 1,182 | - |
| Share-based payments | (2,897) | (6,207) | (19,685) |
| Net income (loss) | \$ 49,571 | \$ (4,389) | \$ (87,473) |
| Earnings (loss) per share - basic and diluted | \$ 0.0002 | \$ (0.0021) | \$ (0.0051) |

Net income 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 Nine Months Ended September 30, 2018

Revenues

The Company recorded an increase in total revenue of \$86,560, or 13.66% compared to the same period in 2017. Fees received in respect to self-administered plans increased by \$29,069, or 5.2%. In addition, trust services fee income increased by \$1,311, or 8.1%; consulting fee income increased by \$2,674, or 21.3%; and interest income increased by \$53,506, or 108.3%, compared to the first nine months of 2017.

Expenses

Total general and administrative expenses increased by \$33,643, or 5.42% compared to the first nine months of 2017.

This was primarily attributable to an increase in Salaries and Benefits of \$9,948 and Computer consulting and maintenance expenses of \$6,056.

The share-based payments expense is the accrued amount in respect of the unvested options that were granted on June 11 and September 13, 2018. The decrease is due to the grade-vesting method used to record the expense which decreases as time passes.

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 income (loss) | Net income (loss) per share (basic and diluted) | Total assets |
|---------------|--------------------|---------------|---|---|--------------|
| | | \$ | \$ | \$ | \$ |
| Q3/18 | September 30, 2018 | 217,667 | (10,414) | (0.001) | 1,218,198 |
| Q2/18 | June 30, 2018 | 208,363 | (11,927) | (0.001) | 1,185,084 |
| Q1/18 | March 31, 2018 | 294,306 | 71,912 | 0.002 | 1,259,930 |
| Q4/17 | December 31, 2017 | 198,485 | (2,834) | (0.001) | 1,187,582 |
| Q3/17 | September 30, 2017 | 178,880 | (34,600) | (0.002) | 1,189,995 |
| Q2/17 | June 30, 2017 | 196,131 | (16,886) | (0.001) | 1,193,462 |
| Q1/17 | March 31, 2017 | 258,765 | 47,097 | 0.001 | 1,273,755 |
| Q4/16 | December 31, 2016 | 155,997 | (47,780) | (0.003) | 1,215,565 |

Revenues and Net Loss for each quarter

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

Total revenue increased for the third quarter compared to the second quarter of 2018, largely due to the increase in investment income. The loss for the third quarter ended September 30, 2018 also reflects seasonal fluctuation in self-administered plan revenue and increased expenses, primarily for salaries and benefits and computer maintenance.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both decreased for the second quarter of 2018, due to seasonal fluctuation in self-administered plan revenue from the first to second quarter. The decrease in total assets for the second quarter of 2018 is due to the decrease in cash as a result of cash used for payments of accounts payable and dividends during the quarter.

The growth in total revenue for the last quarter in 2017 compared to the third quarter in 2017 is due to the increase in fees from self-administered plan transactions and higher interest income earned on investments in term deposits. The decrease in net loss for the last quarter in 2017 is due to the increase in revenue in the last quarter in 2017 compared to the third quarter in 2017, combined with a decrease in salaries and benefits.

Total revenue for the third quarter was lower than the second quarter of 2017, due to the seasonal fluctuation in self-administered plan revenue from the second to third quarter. The loss for the third quarter ended September 30, 2017 also reflects increased expenses, primarily for business development, salaries and benefits.

Total revenue decreased for the second quarter compared to the first quarter of 2017 due to the seasonal fluctuation in self-administered plan revenue from the first to second quarter. The decrease in total assets for the second quarter of 2017 is due to the decrease in cash as a result of cash used for payments of accounts payable and dividends during the quarter.

Total revenue and net income both increased for the first quarter of 2017 due to the increase in self-administered plan business prior to the annual contribution deadline of March 1, 2017. The increase in total assets for the first quarter of 2017 is due to the increase in cash, accounts receivable and deposit held with credit card merchant as a result of the increase in income from operations.

Outlook

The first nine months of 2018 saw a 13.66% increase in total revenue and an increase of 5.42% of expenses over the same period in 2017. This resulted in a net income for the nine months ended September 30, 2018 of \$47,571.

Western Pacific Trust Company is steadily gaining increased recognition in the private capital markets as a trustee for self-administered plans holding qualified investments. While the Company 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.

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 certain prospectus exemptions, or through an Exempt Market Dealer (“EMD”), as well as to 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 and arm’s length mortgages.

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.

Client Consulting Services

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

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, WP Private Health Inc., 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 to save taxes, and reduce the after tax cost of health care for themselves and their families.

Collateral Agent Service

Through wholly-owned subsidiary 1128668 BC Ltd., the Company provides Collateral Agent services to a client in the conduct of its bond business.

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 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 September 30, 2018, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at September 30, 2018, the Company had working capital of \$881,294 (December 31, 2017 - \$858,260) available to fund its operations.

As at September 30, 2018, the Company had subordinated debt outstanding in the aggregate amount of \$121,527. The subordinated loans consist of \$11,527 and \$70,000 from unrelated parties and bear no

interest. During the quarter, the Company entered to an agreement with directors for subordinated loans of \$40,000 at an interest rate of 5% due September 2024.

Off-Balance Sheet Arrangements

Other than Self-Administered Plan revenues beyond the reporting period and interest income held in term deposits from trust assets, 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 consist of stock option issuances.

The following transactions with related parties for the nine months ended September 30, 2018 and 2017 were in the normal course of operations and were measured at the fair value of the services provided:

| | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| Management salaries | \$ 84,242 | \$ 84,552 |
| Directors' fees | 33,000 | 29,500 |
| Consulting fees paid to companies controlled by directors | 63,000 | 59,000 |
| Professional fees for consultant | 35,481 | 34,781 |
| Share-based payments | 2,897 | 5,066 |
| Total compensation | \$ 218,620 | \$ 212,899 |

Financial Instruments

As at September 30, 2018, 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 unaudited condensed interim 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, as such, 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 issued and outstanding. The terms of the preferred shares are described in the unaudited condensed interim 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 2,725,000 shares under option, and 2,278,711 shares reserved and available for issuance under the Plan.

As of September 30, 2018, 2,625,000 outstanding options are fully vested. Of those 2,625,000 options, 1,809,970 granted November 27, 2012, are exercisable at a price of \$0.10 per share until expiry November 26, 2022; while the remaining 815,030 options granted on November 19, 2015, are exercisable at a price of \$0.07 per share until expiry November 18, 2022. 75,000 options were granted on June 11, 2018 at an exercise price of \$0.12 per share until expiry June 11, 2022, and will vest one-third on December 31, 2018, one-third on December 31, 2019 and one-third at December 31, 2020. An additional 25,000 options were granted to a director on September 13, 2018 at an exercise price of \$0.07 per share until expiry September 13, 2022, and will vest at 8,000 shares on December 31, 2018; 8,000 shares on December 31, 2019; and 9,000 shares at December 31, 2020.

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 unaudited condensed interim consolidated financial statements for the period ended September 30, 2018), have been issued and reviewed by management but are not yet effective. These pronouncements have not been early adopted by the Company and the full impact is currently being assessed.

Directors

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

| | |
|-----------------------------------|--------------------|
| J. Cowan McKinney, FCPA, FCA | Board Chair |
| Bruce H. Bailey, CPA, CA | |
| 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 |