

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2018
(Unaudited)

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WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2018
(Unaudited)

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

The accompanying condensed interim consolidated financial statements of Western Pacific Trust Company for the period ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements.

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

(Expressed in Canadian Dollars)

	Note	(Unaudited) September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash		\$ 949,325	\$ 959,249
Accounts receivable	5	67,341	60,702
Interest receivable		27,055	19,392
Prepaid expenses		17,798	15,638
		1,061,519	1,054,981
Deposits	14	101,106	88,237
Restricted cash	6	5,843	5,814
Property and equipment	7	28,901	14,446
Intangible assets	8	20,829	24,104
		\$ 1,218,198	\$ 1,187,582
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 56,198	\$ 74,943
Deferred revenue		7,805	10,251
Deferred lease inducement	14	4,695	-
Subordinated loan – current portion	9	11,527	11,527
Preferred shares	10	100,000	100,000
		180,225	196,721
Subordinated loans	9	73,769	42,014
Deferred gain on subordinated loans	9	36,231	27,986
		290,225	266,721
SHAREHOLDERS' EQUITY			
Common shares	10	1,536,734	1,536,734
Preferred shares, net of share issue costs	10	1,180,905	1,180,905
Reserves		356,354	360,377
Accumulated deficit		(2,146,020)	(2,157,155)
		927,973	920,861
		\$ 1,218,198	\$ 1,187,582

Approved on behalf of the Board

"J. Cowan McKinney"
Director*"Steven Youngman"*
Director

WESTERN PACIFIC TRUST COMPANY
Condensed Interim Consolidated Statements of
Comprehensive Income/(Loss)
(Expressed in Canadian Dollars)
(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Revenue					
Consulting and trust service fee income		\$ 12,361	\$ 13,766	\$ 32,651	\$ 28,666
Self-Administered Plan fee income		164,853	147,487	584,790	555,721
Interest		40,453	17,627	102,895	49,389
		217,667	178,880	720,336	633,776
General and administrative expenses	13,16	220,976	207,932	654,097	620,454
Income (loss) from operations		(3,309)	(29,052)	66,239	13,322
Amortization of property and equipment	7	(639)	(2,541)	(2,493)	(4,610)
Amortization of intangible assets	8	(1,507)	-	(3,633)	(3,013)
Finance expense	9,13	(3,204)	(1,687)	(9,551)	(5,063)
Amortization of deferred gain on subordinated loans	9	647	394	1,906	1,182
Share-based payments	11,13	(2,402)	(1,714)	(2,897)	(6,207)
Net income/(loss) and comprehensive income/(loss)		\$ (10,414)	\$ (34,600)	\$ 49,571	\$ (4,389)
Earnings (loss) per share, basic and diluted	10	\$ (0.0010)	\$ (0.0020)	\$ 0.0002	\$ (0.0021)
Weighted average number of common shares outstanding		25,018,558	25,018,558	25,018,558	25,018,558

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

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

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital				Reserves		Total Shareholders' Equity
	Common Shares	Amount	Preferred Shares	Amount	Share-Based Payments	Accumulated Deficit	
Balance, December 31, 2016	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 356,173	\$ (2,088,554)	\$ 985,258
Share-based payments	-	-	-	-	6,207	-	6,207
Dividends paid on preferred shares	-	-	-	-	-	(49,108)	(49,108)
Transfer of options expired	-	-	-	-	(4,096)	4,096	-
Net loss for the period	-	-	-	-	-	(4,389)	(4,389)
Balance, September 30, 2017	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 358,284	\$ (2,137,955)	\$ 937,968
Balance, December 31, 2017	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 360,377	\$ (2,157,155)	\$ 920,861
Share-based payments	-	-	-	-	2,897	-	2,897
Dividends paid on preferred shares	-	-	-	-	-	(45,356)	(45,356)
Transfer of options expired	-	-	-	-	(6,920)	6,920	-
Net income for the period	-	-	-	-	-	49,571	49,571
Balance, September 30, 2018	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 356,354	\$ (2,146,020)	\$ 927,973

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

WESTERN PACIFIC TRUST COMPANY
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine month ended September 30,	
	2018	2017
Operating activities		
Net income/(loss) for the period	\$ 49,571	\$ (4,389)
Items not involving cash		
Interest accrued	(7,663)	-
Amortization of property and equipment and intangible assets	6,126	7,623
Amortization of deferred gain on subordinated loans	(1,907)	(1,182)
Accretion expense on subordinated loans	1,907	1,182
Deferred lease inducement	4,695	-
Share-based payments	2,897	6,207
	55,626	9,441
Changes in non-cash working capital balances		
Accounts receivable	(6,639)	(9,038)
Deposits and restricted cash	(12,898)	(23,396)
Prepaid expenses	(2,160)	8,667
Accounts payable and accrued liabilities and deferred revenue	(21,191)	(3,320)
Net cash provided by/(used in) operating activities	12,738	(17,646)
Investing activities		
Property and equipment and intangible assets acquired	(17,306)	-
Net cash used in investing activities	(17,306)	-
Financing activities		
Proceeds from subordinated loans	40,000	25,000
Dividends paid	(45,356)	(49,108)
Net cash used in financing activities	(5,356)	(24,108)
Decrease in cash during the period	(9,924)	(41,754)
Cash, beginning of the period	959,249	1,046,521
Cash, end of the period	\$ 949,325	\$ 1,004,767

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

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

1. Corporate Information

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

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

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

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

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

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

The Company had a net income of \$49,571 for the period ended September 30, 2018 (September 30, 2017: net loss \$4,389) and has an accumulated deficit of \$2,146,020 as of September 30, 2018 (December 31, 2017: \$2,157,155). At September 30, 2018, the Company has cash of \$949,325 (December 31, 2017: \$959,249) and working capital of \$881,294 (December 31, 2017: \$858,260).

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 19, 2018.

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

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
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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 they are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these condensed interim consolidated financial statements and other major sources of measurement uncertainty are consistent with those applied and disclosed in the Company's audited consolidated financial statement for the year ended December 31, 2017.

3. Summary of significant accounting policies

3.1 Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its integrated wholly-owned subsidiaries, WPPET, WPPH, and 1128668 BC Ltd. 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 the ability to use its power over the investee to affect the amount of returns.

3.2 Other accounting policies

For a complete summary of accounting policies, please refer to the audited consolidated financial statements for the year ended December 31, 2017.

3.3 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 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.

WESTERN PACIFIC TRUST COMPANY
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3. Summary of significant accounting policies (continued)

3.3 Recent accounting pronouncements (continued)

The main features of the new standard are as follows:

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

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

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

4. Financial instruments

4.1 Categories of financial instruments

The Company has classified its financial instruments as follows:

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

4.2 Fair value

The fair values of the financial instruments, other than cash, the preferred shares liability and current portion of subordinated loans, approximate their carrying value as at September 30, 2018 and December 31, 2017 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. Cash is valued in accordance with level 1 of the fair value hierarchy.

4.3 Financial risk management objectives and policies

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

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4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk in respect of cash by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Trade accounts receivable are due from clients. The Company manages credit risk in respect to accounts receivable by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at September 30, 2018 and December 31, 2017.

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

	September 30, 2018	December 31, 2017
Cash	\$ 93,739	\$ 158,866
Cash in interest bearing account	855,586	800,383
Total	949,325	959,249
Deposits held by credit card processor	82,274	69,405
Restricted cash	5,843	5,814
Accounts receivable	67,341	60,702
Interest receivable	27,055	19,392
	\$ 1,131,838	\$ 1,114,562

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements. At September 30, 2018, the Company had accounts payable and accrued liabilities of \$56,198 (December 31, 2017: \$74,943), which are due for payment within three months, preferred shares of \$100,000 (December 31, 2017: \$100,000), which are due on demand, current portion of subordinated loan of \$11,527 (December 31, 2017: \$11,527), due on demand, and subordinated loans of \$73,769 (December 31, 2017: \$42,014), which are due for payment in 2024, 2026 and 2027.

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.

WESTERN PACIFIC TRUST COMPANY
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4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

c) Market risk (continued)

i) Interest rate risk

Interest rate risk consists of two components:

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

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

ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

iii) Other price risk

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

The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially for the nine months ended September 30, 2018.

5. Accounts receivable

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

	September 30, 2018	December 31, 2017
Less than 1 month	\$ 12,003	\$ 11,778
1 to 3 months	5,914	10,305
More than 3 months	49,424	38,619
	<u>\$ 67,341</u>	<u>\$ 60,702</u>

Management reviews the collectability of the accounts receivable on a monthly basis and provides allowance on amounts that are not collectable.

WESTERN PACIFIC TRUST COMPANY
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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% per annum, and maturing March 25, 2019. The investment is renewed annually.

7. Property and equipment

	Leasehold Improvements	Furniture and Equipment	Total
Cost			
As at December 31, 2016 and December 31, 2017	\$ 32,062	\$ 165,100	\$ 197,162
Additions	-	16,948	16,948
As at September 30, 2018	\$ 32,062	\$ 182,048	\$ 214,110
Accumulated amortization			
As at December 31, 2016	\$ 31,579	\$ 147,043	\$ 178,622
Charge for the year	483	3,611	4,094
As at December 31, 2017	32,062	150,654	182,716
Charge for the period	-	2,493	2,493
As at September 30, 2018	\$ 32,062	\$ 153,147	\$ 185,209
Net book value			
As at December 31, 2017	\$ -	\$ 14,446	\$ 14,446
As at September 30, 2018	\$ -	\$ 28,901	\$ 28,901

8. Intangible assets

	Software
Cost	
As at December 31, 2016 and December 31, 2017	\$ 48,206
Additions	358
September 30, 2018	\$ 48,564
Accumulated amortization	
As at December 31, 2016	\$ 18,075
Charge for the year	6,027
As at December 31, 2017	24,102
Charge for the period	3,633
As at September 30, 2018	\$ 27,735
Net book value	
As at December 31, 2017	\$ 24,104
As at September 30, 2018	\$ 20,829

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
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9. Subordinated loans

In January 2015, the Company entered into an agreement for a revolving subordinated loan without interest and due on demand, based on 0.5% of the issuer's cash and client investments held in trust. 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 September 30, 2018 is \$11,527 (December 31, 2017: \$11,527).

In March 2016, the Company entered into an agreement with one of its trust clients for an interest-free subordinated loan of \$35,000. The loan is due for repayment on March 24, 2026. In September 2016, a second interest-free subordinated loan of \$5,000 was received from the same party. This loan is due on September 2, 2026. In October 2016, a third interest-free subordinated loan of \$5,000 was received from the same party. This loan is due on October 24, 2026. In September 2017, a fourth interest-free subordinated loan of \$25,000 was received from the same party. This loan is due on September 30, 2027. These non-interest-bearing subordinated loans are recorded initially at the fair value, and are calculated based on the application of a fair value interest rate of 6%. The difference between the face value and the initial fair value of the subordinated loans payable of \$26,726 (2017: \$27,986) has been recorded as a deferred gain on subordinated loans. During the period ended September 30, 2018, the Company recognized accretion expense of \$1,890 (December 31, 2017: \$1,786) included in finance expense, and a recovery from the amortization of deferred gain on subordinated loans of \$1,890 (December 31, 2017: \$1,786).

In September 2018, the Company entered into an agreement with certain directors for subordinated loans totalling \$40,000 at an interest rate of 5%. The loans are due for repayment on September 28, 2024. The difference between the face value and the initial fair value of the subordinated loans payable of \$10,151 has been recorded as a deferred gain on subordinated loans. During the period ended September 30, 2018, the Company recognized accretion expense of \$16 included in finance expense, and a recovery from the amortization of deferred gain on subordinated loans of \$16.

	Subordinated loans	Deferred gain on subordinated loans
As at December 31, 2016	\$ 26,277	\$ 18,723
Additions for the year	25,000	-
Deferred gain on subordinated loans	(11,049)	11,049
Accretion expense	1,786	(1,786)
As at December 31, 2017	42,014	27,986
Additions for the period	40,000	-
Deferred gain on subordinated loans	(10,151)	10,151
Accretion expense	1,906	(1,906)
As at September 30, 2018	\$ 73,769	\$ 36,231

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
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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 (2017: 25,018,558) common shares
61,750 (2017: 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 (2017: 69,200) 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 I preferred shares are non-voting, redeemable, both retractable (note 10.3) and 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 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 shares 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 period ended September 30, 2018 and the year ended December 31, 2017, the Company did not issue any common or preferred shares.

10.3 Preferred share liability

Preferred share liability of \$100,000 (2017: \$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.

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital (continued)

10.4 Earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Income/(loss) before adjustment for preferred shares dividends	\$ (10,414)	\$ (34,600)	\$ 49,571	\$ (4,389)
Amount paid as preferred share dividends	(15,118)	(16,368)	(45,356)	(49,108)
Adjusted income/(loss)	(25,532)	(50,968)	4,215	(53,497)
Earnings/(loss) per share, basic and diluted	\$ (0.0010)	\$ (0.0020)	\$ 0.0002	\$ (0.0021)

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.

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

11.2 Outstanding stock options

Details of the Company's stock options outstanding as of September 30, 2018 and December 31, 2017 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
As at December 31, 2016	2,800,000	\$ 0.09
Expired	(75,000)	\$ 0.07
As at December 31, 2017	2,725,000	\$ 0.09
Granted	100,000	\$ 0.12
Expired	(100,000)	\$ 0.10
September 30, 2018	2,725,000	\$ 0.09

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

11. Share-based payments (continued)

11.2 Outstanding stock options (continued)

As at September 30, 2018, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	4.14	815,030
November 26, 2022	\$ 0.10	1,809,970	\$ 0.07	4.16	1,809,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	3.74	-
September 13, 2022	\$ 0.07	25,000	\$ 0.07	3.95	-
		2,725,000		4.01	2,625,000

As at December 31, 2017, the following stock options issued to directors and employees of the Company were outstanding:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	4.89	815,030
November 26, 2022	\$ 0.10	1,909,970	\$ 0.07	4.91	1,909,970
		2,725,000		4.90	2,725,000

On June 11, 2018, 75,000 stock options were granted to a director. The stock options have an exercise price of \$0.12 with an expiry date of June 11, 2022. The stock options will vest at 1/3 at December 31, 2018, 1/3 at December 31, 2019 and 1/3 at December 31, 2020. On September 13, 2018, an additional 25,000 stock options with an exercise price of \$0.07 and an expiry date of September 13, 2022, were granted to a director. These most recently granted options will vest at 8,000 shares at December 31, 2018, 8,000 shares at December 31, 2019 and 9,000 shares at December 31, 2020.

Share-based payments consists of \$2,897 (December 31, 2017: \$7,397) to directors and officers and \$Nil (December 31, 2017: \$904) to employees.

12. Capital disclosures

The Company considers its shareholders' equity and short-term debt – preferred shares and subordinated loans to be its capital, which, as at September 30, 2018, amounted to \$1,149,500 (2017: \$1,102,388).

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

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

Under the *Financial Institutions Act* of British Columbia, the Company is required to meet the regulatory capital as prescribed by the Financial Institutions Commission ("FICOM"). To satisfy the requirements, the Company is required to maintain a minimum capital determined by multiplying the total value of the assets that the Company holds in trust by 0.5%. The Company has complied with the capital requirements as prescribed by FICOM as at September 30, 2018.

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12. Capital disclosures (continued)

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

There have been no changes to the Company's approach to capital management for the nine months ended September 30, 2018.

13. Related party transactions and balances

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

During the nine months ended September 30, 2018 and 2017, the Company incurred the following charges related to management compensation:

	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

Dividends of \$43,031 (September 30, 2017: \$43,031) and interest and waiver fees of \$3,416 (September 30, 2017: \$3,416), included in finance expense, have been paid to directors and close family members of directors.

At September 30, 2018, the Company has \$14,014 (December 31, 2017: \$30,218) in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors.

During the last quarter, subordinated loans of \$40,000 were advanced by certain Directors (note 9).

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 2017, the Company entered into a new five-year lease for premises at its current location, in Vancouver, British Columbia. Under the terms of the lease, the Company is responsible for basic rent plus operating costs and property taxes commencing March 1, 2018. The Company's commitment for minimum rental payments, calculated based on basic rent is \$5,785 per month for the first two years, \$6,008 per month for the last three years. The new lease includes free base rent periods for the months of March 2018, February 2019 and February 2020. As at September 30, 2018, the Company recorded \$4,695 in deferred lease inducement and rent expense.

The operating costs, which are calculated each year, were \$4,365 (2017: \$4,165) per month and are expected to increase by 5% for each year until the end of the lease term.

The security deposit of \$18,832 paid in August 2012 continues to be held by the lessor.

WESTERN PACIFIC TRUST COMPANY

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14. Commitments for expenditures (continued)

The Company also has a non-cancellable operating lease for equipment expiring in May 2019. Cash commitments for minimum lease payments in relation to non-cancellable operating leases for equipment and premises as at September 30, 2018, are payable as follows:

Not later than 1 year	\$	118,956
Later than 1 year and not later than 5 years		444,380
	\$	563,336

15. Operating segments

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

16. General and administrative expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Salaries and benefits	\$ 93,389	\$ 92,401	\$ 276,271	\$ 266,323
Professional fees	37,702	35,232	121,455	115,408
Rent	29,985	29,417	89,572	87,540
Office and administration	40,961	35,397	108,251	97,617
E&O insurance	3,466	3,125	10,057	9,375
Directors' fees	11,500	9,250	33,000	29,500
Compliance and regulatory	3,973	3,110	15,491	14,691
	\$ 220,976	\$ 207,932	\$ 654,097	\$ 620,454