

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the year ended December 31, 2017
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated as of March 28, 2018, of the consolidated financial condition and results of operations of Western Pacific Trust Company and its wholly-owned subsidiaries WP Private Equity Transfers Inc. ("WPPET"), WP Private Health Inc. ("WPPH"), and 1128668 BC Ltd. (collectively "WPTC" or the "Company") for the year ended December 31, 2017. This discussion should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2017 (the "Financial Statements").

Basis of Presentation

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

The IASB continues to amend and add to current IFRS standards and interpretations. As of the date of this MD&A, none of the new IFRS that have been recently issued have any significant impact on the December 31, 2017 consolidated financial statements.

Forward Looking Statements

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

Overview

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

Self-Administered Plans

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

Trust Services

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

Client Consulting Services

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

Transfer Agency Services

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

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.

Selected Annual Information and Results of Operations

The following selected consolidated financial data for the three most recently completed financial years should be read in conjunction with the Company's audited consolidated financial statements for the respective years. The Company's consolidated financial statements and the financial information set out below are prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2017. The Company's functional and reporting currency is the Canadian dollar.

Statements of Financial Position-selected information

	As at December 31,		
	2017	2016	2015
Total current assets	\$ 1,054,981	\$ 1,105,316	\$ 997,262
Total non-current assets	132,601	110,249	100,357
Total assets	\$ 1,187,582	\$ 1,215,565	\$ 1,097,619
Total current liabilities	\$ 196,721	\$ 185,307	\$ 227,066
Total non-current liabilities	70,000	45,000	395,500
Total equity	920,861	985,258	475,053
Total liabilities and shareholders' equity	\$ 1,187,582	\$ 1,215,565	\$ 1,097,619

The decrease in current assets in the 2017 fiscal year is due to cash used to fund operating activities during the year. The Company did not complete a private placement in 2017 as compared to the previous years.

The \$108,054 increase in current assets as at December 31, 2016 compared to December 31, 2015 is mainly due to the proceeds raised from the issuance of Series II preferred shares.

The increase in non-current assets of \$22,352 in 2017 compared to 2016 is due to the increase of deposits held by a credit card processor as a result of an increase in payments through the use of credit cards by clients.

Total non-current assets increased by \$9,892 as at December 31, 2016 compared to December 31, 2015 due to the increase of deposits held by the credit card company for processing fee income transactions.

Current liabilities increased by \$11,414 in 2017 compared to 2016. This is due to the increase in vendor payables of \$8,915 at the end of the year and an increase in deferred revenue of \$2,499.

Total current liabilities decreased by \$41,759 to \$185,307 as at December 31, 2016, compared to December 31, 2015, due to a decrease in accounts payable at year-end of \$15,963; a decrease of \$24,874 in accrued liabilities related to the accrued professional fees for the one-time regulatory, compliance and legal expenses in connection with the issuance of preferred shares at the end of 2015; and a decrease of \$922 in deferred revenue.

The decrease of \$350,500 in non-current liabilities in 2016 compared to 2015 is due to the conversion of the subordinated loans of \$395,000 into Series II preferred shares offset by the increase for proceeds of \$45,000 in subordinated loans received during the year.

Total equity decreased by \$64,397 in 2017 compared to 2016. This is attributable to dividends of \$65,475 paid to preferred shareholders in 2017, and the loss of \$7,223 incurred in the 2017 fiscal year, offset by \$8,301 for the share-based payment for the vesting of the stock options that were granted in the 2015 fiscal year.

Total equity increased by \$510,205 in 2016 from 2015, due to net proceeds of \$676,262 received from issuance of Series II preferred shares, offset by a net loss of \$135,255 for the year ended December 31, 2016 along with the payment of dividends of \$57,096 on preferred shares and the recording of the fair value of the share-based payment expense of \$26,294 for stock options. For the 2015 year, total equity includes the net loss of \$125,877 for the year and the payment of dividends of \$24,875 on preferred shares, offset by the proceeds from preferred share issuance of \$120,000, net of share issue costs of \$4,703, and the recording of \$22,314 for the fair value of the accrual and vested portion of options granted during the 2015 fiscal year.

Statements of Comprehensive Loss	Years ended December 31,		
	2017	2016	2015
Total revenue	\$ 832,261	\$ 710,654	\$ 684,022
Total general and administrative expenses	(816,887)	(795,111)	(759,649)
Income (loss) before amortization, finance expense and share-based payments	15,374	(84,457)	(75,627)
Amortization	(10,121)	(12,572)	(12,968)
Finance expense	(4,175)	(11,932)	(14,968)
Share-based payments	(8,301)	(26,294)	(22,314)
Net loss	\$ (7,223)	\$ (135,255)	\$ (125,877)
Loss per share (basic and diluted)	\$ (0.003)	\$ (0.008)	\$ (0.006)

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

Results of Operations

Revenues

Total revenue continues to grow year over year. The increase of \$121,607 (17%) in 2017 compared to 2016 is due to the increase in self-administered plan fee income of \$104,231 (17%) compared to 2016. In addition, interest income grew by \$11,014 (17%) compared to 2016. During the last quarter of the 2017 fiscal year, the Company re-invested funds held in GICs and negotiated higher interest rates with the bank where the investments were held. Consulting and trust service fee income has also increased in 2017 by \$6,362 (20%) compared to 2016.

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

Expenses

The total general and administrative expenses increased overall by \$21,776 in 2017 compared to 2016. This is due to the increase in wages and benefits of \$31,986 for salaries to staff and the engagement of an employee for business development for four months during 2017. Professional fees have decreased by \$26,607 in 2017 compared to 2016, due to a reduction in fees paid to the contract CFO. The remainder of the increase in 2017 compared to 2016 is due to the rent expense increase of \$1,512; an increase of

\$13,500 for fees paid for business development; \$5,000 for office and administration expenses; and an increase in E&O insurance of \$2,083. The overall difference in the increase in general and administrative expenses in 2017 compared to 2016 is offset by a reduction in directors' fees paid of \$2,000 and the decrease in compliance and regulatory fees of \$3,698 due to fewer directors' meetings held, and no private placements completed, in 2017 compared to 2016.

Total general and administrative expenses in 2016 increased by \$35,461 compared to 2015. This was primarily due to \$11,000 increase in consulting fees paid, \$10,417 for E&O insurance, and increased directors' fees over the period due to the replacement of a non-independent director with an independent director in late 2015.

The amortization expense for both property and equipment and intangible asset continue to decrease due to the declining balance method use for amortization. No additions had been incurred during the two fiscal years of 2017 and 2016.

The decrease in finance expense for 2017 compared to 2016, as well as 2016 compared to 2015, is due to the repayment of all interest-bearing subordinated loans, which reduced the interest costs for 2017 and 2016.

The share-based payments expense is the amortized amount in respect of the unvested options that were granted on November 19, 2015. The decrease is due to the grade-vesting method used to record the expense which decreases as time passes. The options have all vested as at December 31, 2017 and there were no options unvested during the first half of 2015.

Summary

2017 saw an increase in total revenue of 17% (2016 - 3.9% increase from 2015), and a decrease of 1% (2016 – increase of 4.7% from 2015) in total expenses over the previous year. The Company had income from operations in 2017 of \$15,374 versus a loss from operations of \$84,457 in 2016. The net loss for the 2017 year is \$7,223, compared to a net loss of \$135,255 for the year ended December 31, 2016.

Summary of Quarterly Results

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

Quarter ended		Total revenue	Net income (loss) and comprehensive loss	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
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
Q3/16	September 30, 2016	168,533	(29,286)	(0.002)	1,252,834
Q2/16	June 30, 2016	152,454	(80,021)	(0.004)	1,281,555
Q1/16	March 31, 2016	233,670	21,832	0.001	1,267,568

Revenues and Net Income/Loss for each quarter

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

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 the increase in interest income from 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 the decrease in salaries and benefits.

Total revenue decreased for the third quarter compared to 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 is 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.

Significant variances in previous quarters during 2016 fiscal year are discussed as follows:

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

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

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

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

Outlook

Self-Administered Plans

Trustee services for Self-Administered Plans are required for any issuer wishing to offer RRSP or TFSA eligible products, either directly or through an Exempt Market Dealer ("EMD"), as well as investors wishing to purchase an exempt market security into 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.

The 2017 year saw a 17% increase in total revenue, and an increase of 3.0% in general and administrative expenses over the same period in 2016. This resulted in a net loss for the year ended December 31, 2017 of \$7,223, compared to a loss of \$135,255 for the same period in 2016.

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 the Company in the market place.

Client Consulting Services

The Company continues to offer 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 Quarterly Financial Return" in which a Capital Adequacy calculation is required to set forth the Primary Capital (Shares, Retained Earnings and Reserves) and the Secondary Capital (Subordinated Debt and Other equity investments) to arrive at the Company's Capital Base. The Required Capital Base is calculated as 0.5% of the Assets Held in Trust.

As at December 31, 2017, the Company had a calculated Capital Base in excess of the Required Capital Base.

Commitments

In October 2017, the Company entered into a five-year lease for premises at its current location. Under the terms of the lease, the Company is responsible for basic rent plus operating costs and property taxes commencing March 1, 2018. The Company's commitment for minimum rental payments, calculated based on basic rent is \$5,785 per month for the first two years, \$6,008 per month for the last three years. The new lease includes free base rent periods for the months of March 2018, February 2019 and February 2020. The operating costs are expected to increase by 5% for each year until the end of the lease term.

Capital Resources

As at December 31, 2017, the Company had working capital of \$858,260 (December 31, 2016 - \$920,009) available to fund its operations.

As at December 31, 2017, the Company had subordinated debt outstanding in the aggregate amount of \$81,527 owned to two unrelated parties in the amounts of \$11,527 and \$70,000. These subordinated loans bear no interest.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

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

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

The following transactions with related parties for the years ended December 31, 2017 and 2016 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2017	December 31, 2016
Management salaries	\$ 112,602	\$ 105,934
Directors' fees	38,750	40,750
Consulting fees paid to companies controlled by directors	78,500	83,000
Professional fees for consultant	47,687	62,363
Share-based payments	7,397	19,647
Total compensation	\$ 284,936	\$ 311,694

Financial Instruments

As at December 31, 2017, the Company had not entered into any derivative financial instruments as a method of managing market risks associated with interest rates and foreign exchange fluctuations. Note 4 to the audited consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

Risks and Uncertainties

Dependence on major clients

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

Tax laws

The tax laws in Canada and abroad are continually changing.

Dependence on key personnel

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

Outstanding Share Information

As at the date of this report there are 25,018,558 Common shares, 61,750 Series I Preferred shares and 69,200 Series II Preferred shares are issued and outstanding. The terms of the preferred shares are described in the 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 December 31, 2017 all of the 2,725,000 outstanding options are fully vested. 1,909,970 granted November 27, 2012, are exercisable at a price of \$0.10 per share until expiry November 26, 2022. 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.

Proposed Transactions

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

Change in Accounting Policies and Initial Adoption

Future accounting pronouncements related to IFRS 9 *Financial Instruments* (2014), IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* (see audited consolidated financial statements for the year ended December 31, 2017), have been issued and reviewed by management but are not yet effective. These pronouncements have not been early adopted by the Company and the Company has yet to assess the full impact.

Directors

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

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