

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated November 18, 2019, 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"), 1128668 BC Ltd. and 1211263 BC Ltd. (collectively "WPTC" or the "Company") for the nine months ended September 30, 2019. 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, 2019 (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, the new IFRS standards that have been recently issued that have any significant impact to the Company have been noted in Note 3.2 of the 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. In addition to self-administered Registered Retirement Savings Plans ("RRSPs"), WPTC 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 RRSPs 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 Services

The Company acts as Collateral Agent for clients in the conduct of their bond business. The wholly-owned subsidiaries, 1128668 BC Ltd. and 1211263 BC Ltd., will be maintained solely for the purpose of offering these services to these clients. The costs of the annual maintenance of these subsidiaries will be absorbed by the clients, pursuant to the contract between the parties.

Results of Operations

The following selected consolidated financial data for the nine months period ended September 30, 2017 to September 30, 2019 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the respective periods.

	Nine months ended September 30		
	2019	2018	2017
Total revenue	\$ 803,071	\$ 720,336	\$ 633,776
Total general and administrative expenses	679,323	654,097	620,454
Net income before amortization, finance expense and share-based payments	123,748	66,239	13,322
Amortization	(8,044)	(6,126)	(7,623)
Finance expense	(17,810)	(9,551)	(5,063)
Amortization of deferred gain on subordinated loans	2,004	1,906	1,182
Share-based payments	(2,988)	(2,897)	(6,207)
Net income (loss)	\$ 96,910	\$ 49,571	\$ (4,389)
Earnings/(loss) per share (basic)	\$ 0.0020	\$ 0.0002	\$ (0.0021)
Earnings per share (diluted)	\$ 0.0018	\$ 0.0002	-

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, 2019

Revenues

The Company recorded an increase in total revenue of \$82,735, or 11.5% (2018: 13.66%) compared to the same period in 2018. Fees received in respect to self-administered plans increased by \$43,194, or 7.4%. In addition, consulting fee income increased by \$1,681, or 11.1%; interest income increased by \$31,205, or 30.3%; and trust services fee income increase by \$6,655, or 38.1%, compared to the first nine months of 2018.

Expenses

Total general and administrative expenses increased by \$25,226, or 3.86% (2018: 5.42%) compared to the first nine months of 2018. This was primarily attributable to an increase in Salaries and Benefits of \$21,872.

The increase in finance expense of \$8,259 is due to interest portion totaling \$8,919 for the rental lease pursuant to the provisions of IFRS 16 – Operating leases.

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.

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 income (loss)	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q3/19	September 30, 2019	240,679	4,395	(0.001)	1,435,322
Q2/19	June 30, 2019	241,110	765	(0.001)	1,435,978
Q1/19	March 31, 2019	321,282	91,750	0.003	1,511,559
Q4/18	December 31, 2018	220,690	(17,227)	(0.001)	1,203,721
Q3/18	September 30, 2018	217,667	(10,414)	(0.001)	1,218,198
Q2/18	June 30, 2018	208,363	(11,925)	(0.001)	1,185,084
Q1/18	March 31, 2018	294,306	71,910	0.002	1,259,930
Q4/17	December 31, 2017	198,485	(2,834)	(0.001)	1,187,582

Revenue and net income (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 decreased slightly for the third quarter compared to the second quarter of 2019 due to the decrease in self-administered plan revenue. Net income increased for the third quarter ended September 30, 2019 compared to the second quarter of 2019 due to decrease in expenses for salaries and benefits.

Total revenue and net income both decreased for the second quarter of 2019 compared to the first quarter of 2019 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 2019 is due to the decrease in cash as a result of cash used for payments of accounts payable and dividends during the quarter.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both increased for the first quarter of 2019 due to the increase in self-administered plan business prior to the annual RRSP contribution deadline of March 1, 2019 and interest income from investments in term deposits. The increase in total assets for the first quarter of 2019 is due to adoption of IFRS 16 – Operating Leases.

The growth in total revenue for the last quarter in 2018 compared to the third quarter in 2018 is due to the increase in interest income from investments in term deposits. The increase in net loss for the last quarter in 2018 is due to increases in travel, computer consulting, and maintenance expense.

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.

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.

Outlook

Self-Administered Plans

Trustee services for Self-Administered Plans are required for any issuer wishing to offer RRSP or TFSA eligible securities, as well as for investors wishing to purchase a private 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.

The first nine months of 2019 saw a 11.5% increase in total revenue, and an increase of 3.86% in general and administrative expenses over the same period in 2018. This resulted in a net income for the nine months ended September 30, 2019 of \$96,910, or a 95.5% increase compared to the same period in 2018.

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 Western Pacific Trust Company in the market place.

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 Services

Through wholly-owned subsidiaries 1128668 BC Ltd. and 1211263 BC Ltd., these Companies provide Collateral Agent services to clients in the conduct of their 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, 2019, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at September 30, 2019, the Company had working capital of \$913,241 (December 31, 2018: \$853,213) available to fund its operations.

As at September 30, 2019, the Company had subordinated debt outstanding in the aggregate amount of \$81,527. The subordinated loans consist of \$11,527 and \$70,000 from two unrelated parties and bear no interest.

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 periods ended September 30, 2019 and 2018 were in the normal course of operations and were measured at the fair value of the services provided:

	Nine months ended	
	September 30, 2019	September 30, 2018
Management salaries	\$ 94,087	\$ 84,242
Directors' fees	33,000	33,000
Consulting fees paid to companies controlled by directors	63,000	63,000
Professional fees for consultant	30,100	35,481
Share-based payments	2,988	2,897
Total compensation	\$ 223,175	\$ 218,620

Dividends of \$36,369 (September 30, 2018: \$43,031) and interest and waiver fees of \$2,934 (September 30, 2018: \$3,416), included in finance expense, have been paid to directors and close family members of directors.

At September 30, 2019, the Company has \$21,560 (December 31, 2018: \$35,045) in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors.

During the nine months ended September 30, 2019, subordinated loans of \$40,000 were repaid to certain Directors and 10,000 Series I preferred shares at \$10 per shares were issued to a director through a private placement.

Financial Instruments

As at September 30, 2019, 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 2,625,000 shares under option, and 2,378,711 shares reserved and available for issuance under the Plan.

As of September 30, 2019, 2,625,000 options were outstanding with 2,558,000 options fully vested and 67,000 options unvested. During the quarter ended September 30, 2019, 100,000 options were forfeited. Of the 2,625,000 outstanding options, 1,709,970 granted November 27, 2012, are exercisable at a price of \$0.10 per share until expiry November 26, 2022; while 815,030 options granted on November 19, 2015, are exercisable at a price of \$0.07 per share until expiry November 18, 2022. During the 2018 fiscal year, 75,000 options were granted on June 11, 2018 at an exercise price of \$0.12 per share until expiry June 11, 2022, with vesting periods of 25,000 on December 31, 2018, 25,000 on December 31, 2019 and 25,000 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, with vesting periods of 8,000 shares on December 31, 2018; 8,000 shares on December 31, 2019; and 9,000 shares at December 31, 2020. Of the options granted during the 2018 fiscal year, 25,000 of the options granted on June 11, 2018 and 8,000 of the options granted on September 13, 2018 vested as at December 31, 2018.

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.

Directors

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

J. Cowan McKinney, FCPA, FCA (Chair)
Alison Alfer
Bruce H. Bailey, CPA, CA
G. Benjamin Cutler

John C.A. de Wit, CPA, CA
Anthony Liscio, DDS
Steven O. Youngman, B.Comm., LL.B (Deputy Chair)