

**WESTERN PACIFIC TRUST COMPANY**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**NINE MONTHS ENDED SEPTEMBER 30, 2020**  
(Unaudited)

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**WESTERN PACIFIC TRUST COMPANY**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**NINE MONTHS ENDED SEPTEMBER 30, 2020**  
(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, 2020 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, 2020	December 31, 2019
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 1,119,619	\$ 950,533
Accounts receivable	5	68,222	107,708
Interest receivable		52,641	50,970
Prepaid expenses		15,473	7,849
		1,255,955	1,117,060
Deposits	4.3, 14	111,236	109,752
Right-of-use asset	6	149,363	195,713
Property and equipment	7	23,293	26,956
Intangible assets	8	16,850	19,824
		\$ 1,556,697	\$ 1,469,305
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 65,604	\$ 82,894
Deferred revenue		19,928	18,888
Lease liability – current portion	6	65,665	57,045
Subordinated loans – current portion	9	11,527	11,527
		162,724	170,354
Lease liability	6	98,819	148,370
Subordinated loans	9, 13	127,704	47,227
Deferred gain on subordinated loans	9	47,296	22,773
		436,543	388,724
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	10	1,536,734	1,536,734
Preferred shares, net of share issue costs	10	1,277,710	1,278,575
Reserves		357,583	356,339
Accumulated deficit		(2,051,873)	(2,091,067)
		1,120,154	1,080,581
		\$ 1,556,697	\$ 1,469,305

Approved on behalf of the Board

*“Anthony Liscio”*  
Director*“Steven Youngman”*  
Director

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

**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,	
		2020	2019	2020	2019
<b>Revenue</b>					
Consulting and trust service fee income		\$ 7,866	\$ 22,432	\$ 26,910	\$ 40,987
Self-Administered Plan fee income		197,223	175,093	671,238	627,984
Interest		27,196	43,154	113,651	134,100
		232,285	240,679	811,799	803,071
General and administrative expenses	13,16	234,631	227,994	703,254	679,323
<b>Income (loss) from operations</b>		(2,346)	12,685	108,545	123,748
Amortization of property and equipment	7	(1,369)	(1,510)	(4,093)	(4,532)
Amortization of intangible assets	8	(992)	(1,409)	(2,974)	(3,512)
Finance expense	9,13	(4,762)	(5,032)	(14,058)	(17,810)
Amortization of deferred gain on subordinated loans	9	708	668	2,124	2,004
Share-based payments	11,13	(382)	(1,007)	(1,244)	(2,988)
<b>Net income (loss) and comprehensive income (loss)</b>		\$ (9,143)	\$ 4,395	\$ 88,300	\$ 96,910
Earnings/(loss) per share, basic	10	\$ (0.0010)	\$ (0.0005)	\$ 0.0016	\$ 0.0020
Earnings per share, diluted	10	-	-	\$ 0.0014	\$ 0.0018
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, 2018	25,018,558	\$ 1,536,734	120,950	\$ 1,180,905	\$ 359,264	\$ (2,178,366)	\$ 898,537
Preferred shares issued	-	-	10,000	100,000	-	-	100,000
Share issue costs on preferred shares	-	-	-	(2,330)	-	-	(2,330)
Share-based payments	-	-	-	-	2,988	-	2,988
Dividends paid on preferred shares	-	-	-	-	-	(46,606)	(46,606)
Transfer of options forfeited	-	-	-	-	(6,920)	6,920	-
Net income for the period	-	-	-	-	-	96,910	96,910
<b>Balance, September 30, 2019</b>	<b>25,018,558</b>	<b>\$ 1,536,734</b>	<b>130,950</b>	<b>\$ 1,278,575</b>	<b>\$ 355,332</b>	<b>\$ (2,121,142)</b>	<b>\$ 1,049,499</b>
Balance, December 31, 2019	25,018,558	\$ 1,536,734	130,950	\$ 1,278,575	\$ 356,339	\$ (2,091,067)	\$ 1,080,581
Series II preferred shares issued	-	-	61,350	613,500	-	-	613,500
Series I preferred shares redeemed	-	-	(61,350)	(613,500)	-	-	(613,500)
Share issue costs on preferred shares (note 10.2)	-	-	-	(865)	-	-	(865)
Share-based payments	-	-	-	-	1,244	-	1,244
Dividends paid on preferred shares	-	-	-	-	-	(49,106)	(49,106)
Net income for the period	-	-	-	-	-	88,300	88,300
<b>Balance, September 30, 2020</b>	<b>25,018,558</b>	<b>\$ 1,536,734</b>	<b>130,950</b>	<b>\$ 1,277,710</b>	<b>\$ 357,583</b>	<b>\$ (2,051,873)</b>	<b>\$ 1,120,154</b>

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 months ended September 30,	
	2020	2019
<b>Operating activities</b>		
Net income for the period	\$ 88,300	\$ 96,910
Items not involving cash:		
Amortization of property and equipment and intangible assets	7,067	8,044
Amortization of deferred gain on subordinated loans	(2,124)	(2,004)
Accretion expense on subordinated loans	2,124	2,004
Amortization of right-of-use asset	46,350	46,350
Interest on lease liability	6,906	8,919
Deferred lease inducement	-	(4,228)
Share-based payments	1,244	2,988
	149,867	158,983
Changes in non-cash working capital balances		
Interest receivable	(1,671)	(22,084)
Accounts receivable	39,486	(25,223)
Deposits and restricted cash	(1,484)	(4,694)
Prepaid expenses	(7,624)	2,574
Accounts payable and accrued liabilities	(17,290)	(13,864)
Deferred revenue	1,040	18,579
Net cash provided by operating activities	162,324	114,271
<b>Investing activities</b>		
Property and equipment and intangible assets acquired	(430)	(7,601)
Net cash used in investing activities	(430)	(7,601)
<b>Financing activities</b>		
Lease liability payments	(47,837)	(46,280)
Proceeds from subordinated loans	105,000	-
Repayment of subordinated loans	-	(40,000)
Repayment of preferred shares liability	-	(100,000)
Proceeds from issuance of preferred shares, net of share issue costs	(865)	97,670
Dividends paid	(49,106)	(46,606)
Net cash provided by (used in) financing activities	7,192	(135,216)
Increase (decrease) in cash and cash equivalents during the period	169,086	(28,546)
Cash and cash equivalents, beginning of the period	950,533	912,036
Cash and cash equivalents, end of the period	\$ 1,119,619	\$ 883,490
Non-cash activities:		
Right-of-use-asset subject to lease	\$ -	\$ 257,513

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, 2020 and 2019**  
(Expressed in Canadian Dollars)  
(Unaudited)

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**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 Section 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 unlisted, 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 has two additional 100% owned private subsidiaries: 1128668 BC Ltd., and 1211263 BC Ltd., both of which act as Collateral Agent for different clients in the conduct of their respective bond businesses. These wholly owned subsidiaries are maintained solely for the purpose of offering these services to these clients. The annual maintenance costs of these subsidiaries are absorbed by the clients, pursuant to the contract between the parties.

The Company had a net income of \$88,300 for the period ended September 30, 2020 (September 30, 2019: \$96,910) and has an accumulated deficit of \$2,051,873 as of September 30, 2020 (December 31, 2019: \$2,091,067). At September 30, 2020, the Company had cash of \$1,119,619 (December 31, 2019: \$950,533) and working capital of \$1,093,231 (December 31, 2019: \$946,706).

The outbreak of the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material economic disruptions to businesses giving rise to a dramatic slowdown in business activity. The related negative impact has resulted in limited growth and substantially lower interest rates, which in turn has had a negative impact on the Company’s revenue and profits.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 25, 2020.

**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”).

**WESTERN PACIFIC TRUST COMPANY**  
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**2. Basis of preparation (continued)**

**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.

**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 statements for the year ended December 31, 2019.

**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, 1128668 BC Ltd., and 1211263 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 the power an investor has 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 Significant accounting judgments and estimates and significant accounting policies**

For a complete summary of significant judgments and estimates and significant accounting policies, please refer to the audited consolidated financial statements for the year ended December 31, 2019.

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**4. Financial instruments**

**4.1 Categories of financial instruments**

The Company has classified its financial instruments as follows under IFRS 9:

	<b>IFRS 9</b>
<b>Financial Asset</b>	
Cash and cash equivalents	Fair value through profit or loss
Trade accounts receivable, interest receivables and deposits (other than rental deposit)	Amortized cost
Restricted cash	Amortized cost
<b>Financial Liability</b>	
Trade accounts payable and accrued liabilities, and subordinated loans	Amortized cost

**4.2 Fair value**

The fair values of the financial instruments, other than cash and the current portion of subordinated loans, approximate their carrying value as at September 30, 2020 and December 31, 2019 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 mitigating these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk in respect of cash by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Trade accounts receivable are due from clients. The Company manages credit risk in respect to accounts receivable by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at September 30, 2020 and December 31, 2019.

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**4. Financial instruments (continued)**

**4.3 Financial risk management objectives and policies (continued)**

**a) Credit risk (continued)**

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, 2020	December 31, 2019
Cash	\$ 226,382	\$ 169,246
Cash in interest bearing account	893,237	781,287
<b>Total cash and cash equivalents</b>	<b>1,119,619</b>	<b>950,533</b>
Deposits held by credit card processor	86,502	85,047
Deposit held by lessor (note 14)	18,832	18,832
Restricted cash	5,902	5,873
<b>Total deposits</b>	<b>111,236</b>	<b>109,752</b>
Accounts receivable	68,222	107,708
Interest receivable	52,641	50,970
	<b>\$ 1,351,718</b>	<b>\$ 1,218,963</b>

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 29, 2021. The investment is renewed annually.

**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, 2020, the Company had accounts payable and accrued liabilities of \$65,604 (December 31, 2019: \$82,894), which are due for payment within three months, current portion of lease liability of \$65,665 (December 31, 2019: \$57,045) and lease liability of \$98,819 (December 31, 2019: \$148,370) until the lease term ending 2023, current portion of subordinated loan of \$11,527 (December 31, 2019: \$11,527), due on demand, and subordinated loans of \$127,704 (December 31, 2019: \$47,227), which are due for payment in 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.

**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.

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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 (continued)**

- 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.

Due to the significant decrease in interest rates on short-term investments, the Company is exposed to substantial interest rate risk.

**ii) Foreign currency risk**

The Company is not exposed to significant 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, 2020.

**5. Accounts receivable**

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

	September 30, 2020	December 31, 2019
Less than 1 month	\$ 6,640	\$ 11,651
1 to 3 months	8,039	35,398
More than 3 months	53,543	60,659
	<u>\$ 68,222</u>	<u>\$ 107,708</u>

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

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**6. Right-of-use asset**

**Right-of-use asset**

Value of right-of-use asset as at January 1, 2019	\$ 257,513
Depreciation	(61,800)
Value of right-of-use asset as at December 31, 2019	\$ 195,713
Depreciation	(46,350)
<b>Value of right-of-use asset as at September 30, 2020</b>	<b>\$ 149,363</b>

**Lease liability**

Lease liability as at January 1, 2019	\$ 257,513
Lease payments	(63,635)
Lease interest	11,537
Lease liability as at December 31, 2019	\$ 205,415
Lease payments	(47,837)
Lease interest	6,906
<b>Lease liability recognized as at September 30, 2020</b>	<b>\$ 164,484</b>

Current portion	\$ 65,665
Long-term portion	98,819
	<b>\$ 164,484</b>

**7. Property and equipment**

**Furniture and Equipment**

**Cost**

As at December 31, 2018	\$ 184,655
Additions	2,929
As at December 31, 2019	187,584
Additions	430
As at September 30, 2020	\$ 188,014

**Accumulated amortization**

As at December 31, 2018	\$ 154,438
Charge for the year	6,190
As at December 31, 2019	160,628
Charge for the period	4,093
As at September 30, 2020	\$ 164,721

**Net book value**

As at December 31, 2019	\$ 26,956
As at September 30, 2020	\$ 23,293

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**8. Intangible assets**

	<u>Software</u>
<b>Cost</b>	
As at December 31, 2018	\$ 48,564
Additions	5,138
As at December 31, 2019 and September 30, 2020	\$ 53,702
<b>Accumulated amortization</b>	
As at December 31, 2018	\$ 28,958
Charge for the year	4,920
As at December 31, 2019	33,878
Charge for the period	2,974
As at September 30, 2020	\$ 36,852
<b>Net book value</b>	
As at December 31, 2019	\$ 19,824
As at September 30, 2020	\$ 16,850

**9. Subordinated loans**

Advance Date	Principal Advanced (Repayment)	Interest Rate	Maturity Date
<b>Current subordinated loan</b>			
January 2015 <sup>(1)</sup>	\$ 11,527	Non-interest bearing	Due on demand
<b>Long-term subordinated loans</b>			
March 24, 2016 <sup>(2)</sup>	\$ 35,000	Non-interest bearing	March 24, 2026
September 2, 2016 <sup>(2)</sup>	5,000	Non-interest bearing	September 2, 2026
October 24, 2016 <sup>(2)</sup>	5,000	Non-interest bearing	October 24, 2026
September 30, 2017 <sup>(2)</sup>	25,000	Non-interest bearing	September 30, 2027
September 28, 2018 <sup>(3)</sup>	40,000	5% per annum	September 28, 2024
	<u>110,000</u>		
Repayment:			
February 2019 <sup>(3)</sup>	(40,000)		
Balance at December 31, 2019	<u>70,000</u>		
Additions:			
July 31, 2020 <sup>(4)</sup>	90,000	5% per annum	July 31, 2026
August 27, 2020 <sup>(4)</sup>	15,000	5% per annum	August 27, 2026
Balance at September 30, 2020	<u>\$ 175,000</u>		

(1) In January 2015, the Company entered into an agreement for a revolving subordinated loan 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.

**WESTERN PACIFIC TRUST COMPANY**  
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**9. Subordinated loans (continued)**

- (2) The Company entered into an agreement with one of its trust clients for interest-free subordinated loans. These 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 has been recorded as a deferred gain on subordinated loans.
- (3) The Company entered into an agreement with certain directors during the 2018 fiscal year. These subordinated loans were repaid in February 2019.
- (4) The Company entered into loan agreements with certain insiders during the quarter ended September 30, 2020. The difference between the face value and the initial fair value of the subordinated loans payable has been recorded as a deferred gain on subordinated loans.

	Long-term subordinated loans	Deferred gain on subordinated loans
As at December 31, 2018	\$ 74,773	\$ 35,227
Repayment for the year	(40,000)	-
Deferred gain on subordinated loans	9,762	(9,762)
Accretion expense	2,692	(2,692)
As at December 31, 2019	47,227	22,773
Accretion expense	2,124	(2,124)
Additions during the period	78,353	26,647
As at September 30, 2020	\$ 127,704	\$ 47,296

**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 (2019: 25,018,558) common shares  
400 (2019: 61,750) Series I preferred shares with a value of \$10 each  
130,550 (2019: 69,200) Series II preferred shares with a value of \$10 each

**10.2 Preferred shares**

Series I preferred shares are non-voting, redeemable, 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.

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**10. Share capital (continued)**

**10.2 Preferred shares (continued)**

During the year ended December 31, 2019 10,000 Series I non-voting, redeemable, retractable preferred shares at \$10 were redeemed by the Company.

During the last quarter in 2019, 10,000 Series I non-voting, redeemable, non-retractable, preferred shares at \$10 per shares were issued to a director of the Company through a private placement. These shares 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. Share issue costs of \$865 for filing and courier fees were incurred.

During the quarter ended September 30, 2020, the Company redeemed 61,350 Series I non-voting, non-retractable preferred shares at \$10 per share and, through a private placement, issued 61,350 Series II non-voting, non-redeemable preferred shares at \$10 per share with non-cumulative dividends equal to 5% per annum of the aggregate value of the issued Series II preferred shares.

**10.3 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,	
	2020	2019	2020	2019
Income (loss) before adjustment for preferred shares dividends	\$ (9,143)	\$ 4,395	\$ 88,300	\$ 96,910
Amount paid as preferred share dividends	(16,368)	(16,368)	(49,106)	(46,606)
Adjusted income/(loss)	\$ (25,511)	\$ (11,973)	\$ 39,194	\$ 50,304
Earnings/(loss) per share, basic	\$ (0.0010)	\$ (0.0005)	\$ 0.0016	\$ 0.0020
Earnings per share, diluted	-	-	\$ 0.0014	\$ 0.0018

**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 consolidated financial statements, no options have been exercised.

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**11. Share-based payments (continued)**

**11.2 Outstanding stock options**

Details of the Company's stock options outstanding as of September 30, 2020 and December 31, 2019 and changes during the respective periods are as follows:

	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>
As at December 31, 2018	2,725,000	\$ 0.09
Forfeited	(100,000)	\$ 0.10
As at December 31, 2019 and September 30, 2020	2,625,000	\$ 0.09

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 vested at 1/3 at December 31, 2018; 1/3 at December 31, 2019; with the balance to vest 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 granted options vested as to 8,000 shares at December 31, 2018; 8,000 shares at December 31, 2019; with the balance to vest 9,000 shares at December 31, 2020.

During the year ended December 31, 2019, 100,000 stock options with an exercise price of \$0.10 were forfeited due to the resignation of a director. Share based payment of \$6,920 has been allocated from contributed surplus to deficit.

Share-based payments consists of \$1,244 (September 30, 2019: \$2,988) to a director.

As at September 30, 2020, 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 (years)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	2.13	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	2.16	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	1.70	50,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	1.95	16,000
		2,625,000		2.14	2,591,000

As at December 31, 2019, 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 (years)	Options Exercisable
November 18, 2022	\$ 0.07	815,030	\$ 0.06	2.88	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	2.91	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	2.45	50,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	2.70	16,000
		2,625,000		2.89	2,591,000

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**12. Capital disclosures**

The Company considers its shareholders' equity and subordinated loans to be its capital, which, as at September 30, 2020, amounted to \$1,306,681 (December 31, 2019: \$1,162,108).

The Company's objective of managing capital is to safeguard the Company's ability to continue as a going concern.

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 BC Financial Services Authority ("BCFSA"). 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 BCFSA as at September 30, 2020.

The Company reviews the sufficiency of its capital as appropriate and makes any 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, 2020.

**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, 2020 and 2019, the Company incurred the following charges related to management compensation:

	September 30, 2020	September 30, 2019
Management salaries	\$ 101,250	\$ 94,087
Directors' fees	30,016	33,000
Consulting fees paid to a company controlled by a director	72,000	63,000
Professional fees for consultant	31,806	30,100
Share-based payments	1,244	2,988
<b>Total compensation</b>	<b>\$ 236,316</b>	<b>\$ 223,175</b>

Interest and waiver fees of \$1,879 (September 30, 2019: \$2,201), included in finance expense and dividends of \$23,044 (September 30, 2019: \$28,456) have been paid to directors and close family members of directors.

At September 30, 2020, the Company has \$26,049 (December 31, 2019: \$30,776) in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors. In addition, \$105,000 of subordinated loans were advanced by directors of the Company and accrued interest of \$606 has been included in finance expense.

Compensation for key management is for short-term benefits only. Key management personnel do not receive any post-employment or other long-term benefits.

## WESTERN PACIFIC TRUST COMPANY

### Notes to the Condensed Interim Consolidated Financial Statements

#### Nine Months ended September 30, 2020 and 2019

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#### 14. Commitments for expenditures

In October 2017, the Company entered into a renewed 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 current lease includes free base rent periods for the months of March 2018, February 2019 and February 2020 (see note 6 for right-of-use asset and lease liability relating to the premises lease).

The operating costs, which are calculated each year, were \$4,572 (2019: \$4,474) per month and are expected to increase by 2% to 5% for each year until the end of the lease term.

The security deposit of \$18,832 (note 4.3) paid in August 2012 continues to be held by the lessor.

The Company also has a non-cancellable operating lease for equipment expiring in June 2022. Cash commitments for minimum lease payments in relation to non-cancellable operating leases for equipment and premises as at September 30, 2020, are payable as follows:

Not later than 1 year	\$	134,997
Later than 1 year and not later than 5 years		193,581
	\$	328,578

The commitments for basic rent for premises lease are included in lease liability.

#### 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,	
	2020	2019	2020	2019
Salaries and benefits	\$ 105,103	\$ 98,410	\$ 322,614	\$ 298,143
Professional fees	45,022	39,194	127,619	117,765
Rent	29,167	28,874	86,975	87,007
Office and administration	37,002	43,124	111,608	116,206
E&O insurance	3,806	3,625	11,298	10,769
Directors' fees	10,750	10,500	30,016	33,000
Compliance and regulatory	3,781	4,267	13,124	16,433
	\$ 234,631	\$ 227,994	\$ 703,254	\$ 679,323