

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2021
(Unaudited)

INDEX

Page

Consolidated Statements of Financial Position	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Shareholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 17

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2021
(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, 2021 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	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,536,787	\$ 1,150,936
Accounts receivable	5	66,201	66,430
Interest receivable		17,527	17,415
Prepaid expenses		15,407	8,227
		1,635,922	1,243,008
Deposits	4.3, 14	121,602	113,405
Right-of-use asset	6	87,563	133,913
Property and equipment	7	18,634	21,922
Intangible assets	8	13,481	15,859
		\$ 1,877,202	\$ 1,528,107
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 73,545	\$ 93,104
Deferred revenue		18,199	12,680
Lease liability – current portion	6	69,022	66,489
Subordinated loans – current portion	9	11,527	11,527
		172,293	183,800
Lease liability	6	29,803	81,886
Subordinated loans	9, 13	508,854	155,059
Deferred gain on subordinated loans	9	26,786	19,941
		737,736	440,686
SHAREHOLDERS' EQUITY			
Common shares	10	1,536,734	1,536,734
Preferred shares	10	1,272,584	1,272,584
Reserves		357,965	357,965
Accumulated deficit		(2,027,817)	(2,079,862)
		1,139,466	1,087,421
		\$ 1,877,202	\$ 1,528,107

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
(Expressed in Canadian Dollars)
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
Revenue					
Consulting and trust service fee income		\$ 10,080	\$ 7,866	\$ 34,938	\$ 26,910
Self-Administered Plan fee income		222,895	197,223	788,649	671,238
Interest		11,900	27,196	36,172	113,651
		244,875	232,285	859,759	811,799
General and administrative expenses	13,16	239,820	234,631	741,610	703,254
Income (loss) from operations					
		5,055	(2,346)	118,149	108,545
Amortization of property and equipment	7	(1,096)	(1,369)	(3,288)	(4,093)
Amortization of intangible assets	8	(793)	(992)	(2,378)	(2,974)
Finance expense	9,13	(6,103)	(4,762)	(13,621)	(14,058)
Amortization of deferred gain on subordinated loans	9	795	708	2,289	2,124
Share-based payments	11,13	-	(382)	-	(1,244)
Net income (loss) and comprehensive income (loss)					
		\$ (2,142)	\$ (9,143)	\$ 101,151	\$ 88,300
Earnings/(loss) per share, basic	10	\$ (0.0007)	\$ (0.0010)	\$ 0.0021	\$ 0.0016
Earnings per share, diluted	10	-	-	\$ 0.0019	\$ 0.0014
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, 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	-	-	-	(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
Balance, September 30, 2020	25,018,558	\$ 1,536,734	130,950	\$ 1,277,710	\$ 357,583	\$ (2,051,873)	\$ 1,120,154
Balance, December 31, 2020	25,018,558	\$ 1,536,734	130,950	\$ 1,272,584	\$ 357,965	\$ (2,079,862)	\$ 1,087,421
Dividends paid on preferred shares	-	-	-	-	-	(49,106)	(49,106)
Net income for the period	-	-	-	-	-	101,151	101,151
Balance, September 30, 2021	25,018,558	\$ 1,536,734	130,950	\$ 1,272,584	\$ 357,965	\$ (2,027,817)	\$ 1,139,466

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,			
	2021		2020	
Operating activities				
Net income for the period	\$	101,151	\$	88,300
Items not involving cash:				
Amortization of property and equipment and intangible assets		5,666		7,067
Amortization of deferred gain on subordinated loans		(2,289)		(2,124)
Accretion expense on subordinated loans		2,289		2,124
Amortization of right-of-use asset		46,350		46,350
Interest on lease liability		4,522		6,906
Share-based payments		-		1,244
		157,689		149,867
Changes in non-cash working capital balances				
Interest receivable		(112)		(1,671)
Accounts receivable		229		39,486
Deposits		(8,197)		(1,484)
Prepaid expenses		(7,180)		(7,624)
Accounts payable and accrued liabilities		(19,559)		(17,290)
Deferred revenue		5,519		1,040
Net cash provided by operating activities		128,389		162,324
Investing activity				
Property and equipment and intangible assets acquired		-		(430)
Net cash used in investing activity		-		(430)
Financing activities				
Lease liability payments		(54,072)		(47,837)
Proceeds from subordinated loans		377,500		105,000
Repayment of subordinated loans		(16,860)		-
Proceeds from issuance of preferred shares, net of share issue costs		-		(865)
Dividends paid		(49,106)		(49,106)
Net cash provided by financing activities		257,462		7,192
Increase in cash and cash equivalents during the period		385,851		169,086
Cash and cash equivalents, beginning of the period		1,150,936		950,533
Cash and cash equivalents, end of the period	\$	1,536,787	\$	1,119,619
Cash paid during the period for:				
Interest	\$	6,975	\$	-

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, 2021 and 2020
(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 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 net income of \$101,151 for the period ended September 30, 2021 (September 30, 2020: \$88,300) and had an accumulated deficit of \$2,027,817 as of September 30, 2021 (December 31, 2020: \$2,079,862). At September 30, 2021, the Company had cash of \$1,536,787 (December 31, 2020: \$1,150,936) and working capital of \$1,463,629 (December 31, 2020: \$1,059,208).

The outbreak of the COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to curb the spread of the virus and stabilize economic conditions, the ultimate efficacy of which remains unknown at this time. 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 consolidated financial statements were approved by the Board of Directors and authorized for issue on November 24, 2021.

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
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

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, 2020.

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 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 Significant accounting judgments and estimates

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, 2020.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

4. Financial instruments

4.1 Categories of financial instruments

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

	IFRS 9
Financial Asset	
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable, interest receivable, deposits (other than rental deposit)	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities, lease liability 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, 2021 and December 31, 2020 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, 2021 and December 31, 2020.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

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, 2021	December 31, 2020
Cash	\$ 555,665	\$ 204,620
Cash in interest bearing account	981,122	946,316
Total cash and cash equivalents	1,536,787	1,150,936
Deposits held by credit card processor	96,838	88,671
Deposit held by lessor (note 14)	18,832	18,832
Restricted cash	5,932	5,902
Total deposits	121,602	113,405
Accounts receivable	66,201	66,430
Interest receivable	17,527	17,415
	\$ 1,742,117	\$ 1,348,186

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, 2022. 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, 2021, the Company had accounts payable and accrued liabilities of \$73,545 (December 31, 2020: \$93,104), which are due for payment within three months, current portion of lease liability of \$69,022 (December 31, 2020: \$66,489) and lease liability of \$29,803 (December 31, 2020: \$81,886) until the lease term ending 2023, current portion of subordinated loan of \$11,527 (December 31, 2020: \$11,527), due on demand, and subordinated loans of \$508,854 (December 31, 2020: \$155,059), which are due for payment in 2027 and 2031.

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 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.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

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 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, 2021.

5. Accounts receivable

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

	September 30, 2021	December 31, 2020
Less than 1 month	\$ 10,181	\$ 8,670
1 to 3 months	5,940	6,224
More than 3 months	50,080	51,536
	<u>\$ 66,201</u>	<u>\$ 66,430</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
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

6. Right-of-use asset

Right-of-use asset

Value of right-of-use asset as at December 31, 2019	\$	195,713
Depreciation		(61,800)
Value of right-of-use asset as at December 31, 2020	\$	133,913
Depreciation		(46,350)
Value of right-of-use asset as at September 30, 2021	\$	87,563

Lease liability

Lease liability as at December 31, 2019	\$	205,415
Lease payments		(65,860)
Lease interest		8,820
Lease liability as at December 31, 2020	\$	148,375
Lease payments		(54,072)
Lease interest		4,522
Lease liability as at September 30, 2021	\$	98,825

Current portion	\$	69,022
Long-term portion		29,803
	\$	98,825

7. Property and equipment

Furniture and Equipment

Cost

As at December 31, 2019	\$	187,584
Additions		429
As at December 31, 2020 and September 30, 2021	\$	188,013

Accumulated amortization

As at December 31, 2019	\$	160,628
Charge for the period		5,463
As at December 31, 2020		166,091
Charge for the period		3,288
As at September 30, 2021	\$	169,379

Net book value

As at December 31, 2020	\$	21,922
As at September 30, 2021	\$	18,634

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

8. Intangible assets

Cost	Software	
As at December 31, 2019 and 2020 and September 30, 2021	\$	53,702
Accumulated amortization		
As at December 31, 2019	\$	33,878
Charge for the period		3,965
As at December 31, 2020		37,843
Charge for the period		2,378
As at September 30, 2021	\$	40,221
Net book value		
As at December 31, 2020	\$	15,859
As at September 30, 2021	\$	13,481

9. Subordinated loans

Current subordinated loan

Non-interest bearing and due on demand ⁽¹⁾	\$11,527
---	----------

Long-term subordinated loans

	Long-term subordinated loans	Deferred gain on subordinated loans	Principal Advanced (Repaid)
Balance at December 31, 2019 ⁽²⁾	\$ 47,227	\$ 22,773	\$ 70,000
Additions:			
Subordinated loans at 5% per annum, due July 31, 2031 ⁽³⁾	90,000	-	90,000
Subordinated loan at 5% per annum, due August 27, 2031	15,000	-	15,000
Accretion expense	2,832	(2,832)	-
Balance at December 31, 2020	155,059	19,941	175,000
Repayment:			
Subordinated loan at 5% per annum due July 31, 2031 ⁽³⁾	(7,500)	-	(7,500)
Subordinated loan, non-interest bearing, due March 24, 2031 ⁽²⁾	(9,360)	-	(9,360)
Additions:			
Subordinated loan at 5% per annum, due February 26, 2031 ⁽⁴⁾	7,500	-	7,500
Subordinated loan at 5% per annum, due June 14, 2031 ⁽⁵⁾	50,000	-	50,000
Subordinated loan, non-interest bearing, due June 15, 2031 ⁽⁶⁾	15,866	9,134	25,000
Subordinated loans at 6% per annum, due August 23, 2031 ⁽⁷⁾	295,000	-	295,000
Accretion expense	2,289	(2,289)	-
Balance at September 30, 2021	\$ 508,854	\$ 26,786	\$ 535,640

⁽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
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

9. Subordinated loans (continued)

- (2) The Company entered into an agreement with a trust client for interest-free subordinated loans with effective dates between March 24, 2016 to September 30, 2017 for a period of 10 years. 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. During the quarter, the trust client agreed to extend the maturity dates of all the loans advanced in 2016 to 2031. The calculation of the fair value of these loans have been updated using the fair value interest rate of 5%. During the quarter ended September 30, 2021, the Company repaid \$9,360 of the subordinated loan.
- (3) The Company entered into loan agreements with certain insiders during the year ended December 31, 2020. During the period, \$7,500 of the loan advanced on July 31, 2020 was repaid. The remainder of the loans with an original maturity date of July 31, 2026 and August 27, 2026 have been extended to July 31, 2031 and August 27, 2031 respectively.
- (4) On February 26, 2021, the Company entered into a loan agreement with a director for \$7,500.
- (5) On June 14, 2021, the Company entered into a loan agreement for \$50,000 with a third party during the period ended June 30, 2021.
- (6) On June 15, 2021, the Company entered into an agreement for a \$25,000 subordinated loan based on 0.5% of the issuer's cash and client investments held in trust in excess of \$40,000 per client. The subordinated loan is recorded initially at the fair value, and is calculated based on the application of a fair value interest rate of 5%.
- (7) On August 23, 2021, the Company entered into agreements for \$295,000 subordinated loans with interest at 6% per annum of which \$115,000 are with directors and close family members of directors.

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	(December 31, 2020: 25,018,558) common shares
400	(December 31, 2020: 400) Series I preferred shares with a value of \$10 each
130,550	(December 31, 2020: 130,550) 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, redeemable by the Company 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.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

10. Share capital (continued)

10.2 Preferred shares (continued)

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, 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. Share issue costs of \$5,991 were incurred.

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,	
	2021	2020	2021	2020
Income before adjustment for preferred shares dividends	\$ (2,142)	\$ (9,143)	\$ 101,151	\$ 88,300
Amount paid as preferred share dividends	(16,368)	(16,368)	(49,106)	(49,106)
Adjusted income/(loss)	\$ (18,510)	\$ (25,511)	\$ 52,045	\$ 39,194
Earnings/(loss) per share, basic	\$ (0.0007)	\$ (0.0010)	\$ 0.0021	\$ 0.0016
Earnings per share, diluted	-	-	\$ 0.0019	\$ 0.0014

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.

Details of the Company's stock options outstanding as of September 30, 2021 and December 31, 2020 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
As at December 31, 2020 and September 30, 2021	2,625,000	\$ 0.09

11.2 Outstanding stock options

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,

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

11. Share-based payments (continued)

11.2 Outstanding stock options (continued)

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 granted options vested as to 8,000 shares at December 31, 2018; 8,000 shares at December 31, 2019; with the balance of 9,000 shares vested on December 31, 2020.

Share-based payments consists of \$Nil (September 30, 2020: \$1,244) to a director.

As at September 30, 2021, 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	1.13	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	1.16	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	0.70	75,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	0.95	25,000
		2,625,000		1.14	2,625,000

As at December 31, 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	1.88	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	1.91	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	1.45	75,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	1.70	25,000
		2,625,000		1.89	2,625,000

12. Capital disclosures

The Company considers its shareholders' equity and subordinated loans to be its capital, which, as at September 30, 2021, amounted to \$1,686,633 (December 31, 2020: \$1,273,948).

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, 2021.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

12. Capital disclosures (continued)

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, 2021.

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, 2021 and 2020, the Company incurred the following charges related to management compensation:

	September 30, 2021	September 30, 2020
Management salaries	\$ 111,312	\$ 101,250
Directors' fees	32,625	30,016
Consulting fees paid to a company controlled by a director	73,600	72,000
Professional fees for consultant	33,819	31,806
Share-based payments	-	1,244
Total compensation	\$ 251,356	\$ 236,316

Finance expense includes interest for subordinated loans of \$4,096 (September 30, 2020: \$709) and waiver fees of \$Nil (September 30, 2020: \$1,313). For the 9 months ended September 30, 2021, interest of \$4,862 (September 30, 2020: \$Nil) and dividends of \$23,044 (September 30, 2020: \$23,044) have been paid to directors and close family members of directors.

At September 30, 2021, the Company has \$23,871 (December 31, 2020: \$39,273) in accounts payable and accrued liabilities due to an officer, directors of the Company, and companies controlled by directors. In addition, \$205,000 (December 31, 2020: \$90,000) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest of \$868 (December 31, 2020: \$1,843) has been included in accounts payable and accrued liabilities.

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 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 \$4,801 (2020: \$4,572) per month and are expected to increase by 2% to 5% for each year until the end of the lease term.

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
Nine Months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

14. Commitments for expenditures (continued)

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, 2021, are payable as follows:

Not later than 1 year	\$	137,015
Later than 1 year and not later than 5 years		56,566
	\$	193,581

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,	
	2021	2020	2021	2020
Salaries and benefits	\$ 111,720	\$ 105,103	\$ 340,695	\$ 322,614
Professional fees	42,260	45,022	130,210	127,619
Lease costs	13,357	13,717	34,664	40,625
Amortization of right-of-use assets	15,450	15,450	46,350	46,350
Office and administration	38,180	37,002	119,526	111,608
E&O insurance	4,187	3,806	12,307	11,298
Directors' fees	9,875	10,750	32,625	30,016
Compliance and regulatory	4,791	3,781	25,233	13,124
	\$ 239,820	\$ 234,631	\$ 741,610	\$ 703,254
