

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the year ended December 31, 2020
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated March 24, 2021, 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"), 1128668 BC Ltd. and 1211263 BC Ltd. (collectively "WPTC" or the "Company") for the year ended December 31, 2020. 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, 2020 (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, there are no new IFRS standards that have been recently issued that would have any significant impact to the Company's 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 ("TFsas"), 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., are maintained solely for the purpose of offering these services to these clients. The costs of the annual maintenance of these subsidiaries are absorbed by the clients, 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, 2020. The Company's functional and reporting currency is the Canadian dollar.

Statements of Financial Position-selected information

	As at December 31,		
	2020	2019	2018
Total current assets	\$ 1,243,008	\$ 1,117,060	\$ 1,048,397
Total non-current assets	285,099	352,245	155,324
Total assets	\$ 1,528,107	\$ 1,469,305	\$ 1,203,721
Total current liabilities	\$ 183,800	\$ 170,354	\$ 195,184
Total non-current liabilities	256,886	218,370	110,000
Total equity	1,087,421	1,080,581	898,537
Total liabilities and shareholders' equity	\$ 1,528,107	\$ 1,469,305	\$ 1,203,721

Current assets increased in the 2020 fiscal year compared to the same period in 2019 fiscal year due to an increase of cash and cash equivalents for proceeds from new subordinated loans of \$105,000 and the increase in revenue from Self-Administered Plan fees.

Non-current assets decreased in 2020 compared to 2019 due to amortization of the right-of-use asset for the Company's office lease.

The increase in non-current assets in 2019 compared to 2018 is due to recognition of the right-of-use asset.

The increase in current liabilities for 2020 compared to 2019 is attributable to the increase in accounts payable and accrued liabilities for the balance of vacation pay due to staff of \$13,615 in respect to vacation not taken during the 2020 calendar year.

Non-current liabilities increased in 2020 compared to 2019, reflecting the proceeds of \$105,000 for new subordinated loans.

Current liabilities for 2019 decreased compared to 2018 due to the repayment of the preferred share liability of \$100,000, offset by the recognition of the current portion of lease liability for the right-of-use asset.

Non-current liabilities increased in 2019 compared to 2018 due to the recognition of long-term portion of the lease liability for the right-of-use asset.

The increase in total equity in 2019 compared to 2018 is due to the issuance of \$100,000 Series II preferred shares and the net income for the year, offset by the dividends paid for preferred shares.

Statements of Comprehensive Income

	As at December 31		
	2020	2019	2018
Total revenue	\$ 1,059,674	\$ 1,086,977	\$ 941,026
Total general and administrative expenses	(956,769)	(908,550)	(883,546)
Income before amortization, finance expense and share-based payments	102,905	178,427	57,480
Amortization	(9,428)	(11,110)	(8,640)
Finance expense and amortization of deferred gain on subordinated loans	(15,171)	(19,968)	(10,689)
Share-based payments	(1,626)	(3,995)	(5,807)
Net income	\$ 76,680	\$ 143,354	\$ 32,344
Earnings/(loss) per share (basic and diluted)	\$ 0.000	\$ 0.003	\$ (0.001)

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

Revenues

Comparison of 2020 fiscal year to 2019 fiscal year

The Company recorded a decrease in total revenue of \$27,303 or 2.5% in 2020 compared to 2019, primarily due to the decrease of interest income of \$43,011 (24.6%) from reduced interest rates available upon reinvestment in 2020. Fees received in respect to self-administered plans increased by \$32,766, or 3.8% from an increase in new plans, while consulting and trust service fee income decreased in 2020 by \$17,058 (32.2%) due to a decrease in consulting services income compared to 2019.

Comparison of 2019 fiscal year to 2018 fiscal year

Revenue in 2019 increased by \$145,951 (15.51%) compared to 2018, primarily due to the increase in self-administered plan fee income of \$109,736 (14.6%). In addition, investment income grew by \$26,669 (18%) compared to 2018. During the last quarter of the 2018 fiscal year, the Company re-invested funds held in GICs and negotiated more favourable interest rates resulting in higher interest income for the 2019 fiscal year compared to 2018. Consulting and trust service fee income also increased in 2019 by \$9,546 (21.9%) compared to the 2018 fiscal year.

Expenses

Comparison of 2020 fiscal year to 2019 fiscal year

Total general and administrative expenses increased overall by \$48,219 in 2020 when compared to 2019. The increase is mainly attributable to the increase in staff salaries and the cost of benefits of \$41,479, \$8,189 for computer software and \$12,000 for consulting fees. The increase is offset by decreases in advertising and promotion expenses of \$4,775; office expenses of \$5,757; and directors' fees of \$5,297.

Comparison of 2019 fiscal year to 2018 fiscal year

The total general and administrative expenses increased overall by \$25,004 in 2019 compared to 2018. This is primarily due to an increase in staff salaries and the cost of benefits of \$29,577. Interest expense increased by \$8,779 due to the implementation of the IFRS 16 standards to recognize interest expense on a lease liability. Advertising/promotional fees increased by \$7,620 in 2019 compared to 2018. The remainder of the increase in 2019 compared to 2018 is due to increases in expenses related to computer software; office and administration; and amortization. The overall difference in the increase in general and administrative expenses in 2019 compared to 2018 is offset by a reduction in business development expense of \$6,000 and professional fees of \$5,640.

Summary of Quarterly Results

The following is selected financial information for the last eight quarters.

Quarter ended		Total revenue	Net income (loss) and comprehensive income (loss)	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q4/20	December 31, 2020	247,846	(11,621)	(0.0011)	1,528,107
Q3/20	September 30, 2020	232,285	(9,143)	(0.0010)	1,556,697
Q2/20	June 30, 2020	234,004	9,321	(0.0003)	1,455,413
Q1/20	March 31, 2020	345,539	88,123	0.0029/0.0026	1,502,900
Q4/19	December 31, 2019	283,906	46,444	0.0012/0.0011	1,469,305
Q3/19	September 30, 2019	240,679	4,395	(0.0005)	1,435,322
Q2/19	June 30, 2019	241,110	765	(0.0006)	1,435,978
Q1/19	March 31, 2019	321,282	91,750	0.0031/0.0028	1,511,559

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 increased for the last quarter in 2020 compared to the third quarter of 2020 as a result of an increase in self-administered plan revenue.

The decrease in net income in the third quarter and the last quarter of 2020 is due to the decrease in interest income and decrease in consulting fees income for both quarters and the increase in salaries expense for the accrual of vacation pay owing to staff at year end.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both decreased for the **third quarter of 2020** due to the decrease in interest income and increase in salaries and professional fees. The increase in total assets for the third quarter of 2020 is due to the increase in subordinated loans of \$105,000 from Company insiders.

Total revenue and net income both decreased for the **second quarter of 2020**, 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 2020 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 2020** due to the increase in self-administered plan business prior to the annual RRSP contribution deadline of March 2, 2020.

Total revenue and net income both increased for the **last quarter in 2019** compared to the third quarter of 2019 as a result of an increase in self-administered plan revenue.

Total revenue decreased slightly for the **third quarter in 2019** compared to the second quarter of 2019 due to a 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 a reduction 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 the 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 attributable to the decrease in cash as a result of cash used for payments of the annual directors' fees and dividends during the quarter.

Total revenue and net income both increased for the **first quarter of 2019** as a result of 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 the January 1, 2019 adoption of IFRS 16 – Operating Leases.

Outlook

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, significantly decreasing the Company's interest income, which in turn has had a negative impact on revenue and profits.

Management expects to see a continuing impact on its interest income in the coming months as a result of these measures and a general slowdown of the economy.

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, Eligible Business 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.

Western Pacific Trust Company is steadily gaining increased recognition in the private capital markets as a trustee for self-administered plans holding eligible private 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 offers a range of administrative and accounting services 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

Wholly-owned subsidiaries 1128668 BC Ltd. and 1211263 BC Ltd. 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 BC Financial Services Authority ("BCFSA") pursuant to the *Financial Institutions Act* (British Columbia). The Company is required to submit to the BCFSA, on a quarterly basis, within 30 days of each quarter end, a 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, 2020, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at December 31, 2020, the Company had working capital of \$1,059,208 (December 31, 2019: \$946,706) available to fund its operations.

As at December 31, 2020, the Company had subordinated debt outstanding in the aggregate amount of \$186,527. The subordinated loans consist of \$105,000 from insiders with interest at 5% per annum and \$11,527 and \$70,000 from two unrelated parties which 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.

Related parties includes directors and officers of the Company. Share-based payments consist of stock option issuances.

The following transactions with related parties for the years ended December 31, 2020 and 2019 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2020	December 31, 2019
Management salaries	\$ 142,729	\$ 125,450
Directors' fees	40,203	45,000
Consulting fees paid to a company controlled by a director	96,000	84,000
Professional fees for consultant	44,975	42,438
Share-based payments	1,626	3,995
Total compensation	\$ 325,533	\$ 300,883

Interest and waiver fees of \$3,798 (2019: \$2,857), included in finance expense and dividends of \$30,725 (2019: \$36,138) have been paid to directors and close family members of directors.

At December 31, 2020, the Company has \$39,273 in accounts payable and accrued liabilities due to an officer and directors of the Company and companies controlled by directors. In addition, \$90,000 of subordinated loans were advanced by directors or close family members of directors of the Company and accrued interest of \$1,619 has been included in finance expense.

Financial Instruments

As at December 31, 2020, 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

COVID-19

During the year there has been increased risk due to the COVID-19 pandemic, and Management considers the pandemic as an additional risk factor to its operations. While the impact of the pandemic remains uncertain, the Company is adjusting and adapting to the daily changes and is continuing its operations as an essential service provider. As this situation evolves, Management will continue to monitor the impact on operations. See Outlook section above for further detail.

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, 400 Series I Preferred shares and 130,550 Series II Preferred shares issued and outstanding. The terms of the preferred shares are described in the audited 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.

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:

Anthony Liscio, DDS (Chair)
Alison Alfer
Bruce H. Bailey, CPA, CA
G. Benjamin Cutler

John C.A. de Wit, CPA, CA
J. Cowan McKinney, FCPA, FCA
Steven O. Youngman, B.Comm., LL.B (Deputy Chair)