

WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2022
(Unaudited)

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WESTERN PACIFIC TRUST COMPANY

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2022
(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, 2022 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)

As at	Note	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,672,243	\$ 1,575,083
Accounts receivable	5	96,347	64,417
Interest receivable		133,836	9,092
Prepaid expenses		19,306	8,443
Deferred income tax asset – current portion	17	88,000	30,000
		2,009,732	1,687,035
Deposits	4.3, 14	120,921	111,509
Right-of-use asset	6	25,763	72,113
Property and equipment	7	23,471	17,538
Intangible assets	8	10,785	12,688
Deferred income tax asset	17	593,500	710,000
		\$ 2,784,172	\$ 2,610,883
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 55,751	\$ 79,463
Deferred revenue		8,303	12,841
Lease liability – current portion	6	29,809	69,889
Subordinated loans – current portion	9	11,527	11,527
		105,390	173,720
Lease liability	6	-	12,003
Subordinated loans	9, 13	568,773	514,614
Deferred gain on subordinated loans	9	25,727	43,026
		699,890	743,363
SHAREHOLDERS' EQUITY			
Common shares	10, 13	1,644,283	1,536,734
Preferred shares	10	1,272,584	1,272,584
Reserves		357,965	357,965
Accumulated deficit		(1,190,550)	(1,299,763)
		2,084,282	1,867,520
		\$ 2,784,172	\$ 2,610,883

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)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue					
Consulting and trust service fee income		\$ 11,666	\$ 10,080	\$ 28,416	\$ 34,938
Self-Administered Plan fee income		255,972	222,895	876,793	788,649
Interest		95,292	11,900	177,368	36,172
		362,930	244,875	1,082,577	859,759
General and administrative expenses	13,16	285,527	239,820	841,197	741,610
Income from operations					
		77,403	5,055	241,380	118,149
Amortization of property and equipment	7	(1,278)	(1,096)	(3,435)	(3,288)
Amortization of intangible assets	8	(634)	(793)	(1,903)	(2,378)
Finance expense	9,13	(7,173)	(6,103)	(21,404)	(13,621)
Amortization of deferred gain on subordinated loans	9	563	795	2,181	2,289
Net income (loss) before income taxes		68,881	(2,142)	216,819	101,151
Income tax expense	17	18,600	-	58,500	-
Net income (loss) and comprehensive income (loss)		\$ 50,281	\$ (2,142)	\$ 158,319	\$ 101,151
Earnings/(loss) per share, basic	10	\$ 0.0013	\$ (0.0007)	\$ 0.0043	\$ 0.0021
Earnings per share, diluted	10	\$ 0.0012	\$ -	\$ 0.0041	\$ 0.0019
Weighted average number of common shares outstanding		26,293,558	25,018,558	25,691,085	25,018,558

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

WESTERN PACIFIC TRUST COMPANY**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, 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
Balance, December 31, 2021	25,018,558	\$ 1,536,734	130,950	\$ 1,272,584	\$ 357,965	\$ (1,299,763)	\$ 1,867,520
Common shares issued	1,275,000	107,549	-	-	-	-	107,549
Dividends paid on preferred shares	-	-	-	-	-	(49,106)	(49,106)
Net income for the period	-	-	-	-	-	158,319	158,319
Balance, September 30, 2022	26,293,558	\$ 1,644,283	130,950	\$ 1,272,584	\$ 357,965	\$ (1,190,550)	\$ 2,084,282

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,	
	2022	2021
Operating activities		
Net income for the period	\$ 158,319	\$ 101,151
Items not involving cash:		
Amortization of property and equipment and intangible assets	5,338	5,666
Amortization of deferred gain on subordinated loans	(2,181)	(2,289)
Accretion expense on subordinated loans	2,181	2,289
Amortization of right-of-use asset	46,350	46,350
Income tax expense	58,500	-
Interest on lease liability	1,989	4,522
	270,496	157,689
Changes in non-cash working capital balances		
Interest receivable	(124,744)	(112)
Accounts receivable	(31,930)	229
Deposits	(9,412)	(8,197)
Prepaid expenses	(10,863)	(7,180)
Accounts payable and accrued liabilities	(23,712)	(19,559)
Deferred revenue	(4,538)	5,519
Net cash provided by operating activities	65,297	128,389
Investing activity		
Property and equipment and intangible assets acquired	(9,368)	-
Net cash used in investing activity	(9,368)	-
Financing activities		
Lease liability payments	(54,072)	(54,072)
Proceeds from subordinated loans	165,000	377,500
Repayment of subordinated loans	(69,765)	(16,860)
Dividends paid	(49,106)	(49,106)
Common shares issued	49,174	-
Net cash provided by financing activities	41,231	257,462
Increase in cash and cash equivalents during the period	97,160	385,851
Cash and cash equivalents, beginning of the period	1,575,083	1,150,936
Cash and cash equivalents, end of the period	\$ 1,672,243	\$ 1,536,787
Cash paid during the period for:		
Interest	\$ 21,632	\$ 6,795
Non-cash transactions:		
Common shares issued	\$ 58,375	\$ -
Subordinated loans repaid	\$ (58,375)	\$ -

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, 2022 and 2021
(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 permits 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 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 caused material economic disruptions to businesses giving rise to a dramatic slowdown in business activity. The related negative impact resulted in limited growth and substantially lower interest rates throughout 2021, which in turn had a negative impact on the Company’s revenue and profits. Interest rates have improved incrementally during the first half of 2022, resulting in a marked increase in the Company’s interest income.

Russia’s invasion of Ukraine has injected a new uncertainty into the global economy, the impact of which is difficult to predict, as its outcome and longevity are unknown. With rising oil and commodity prices, the developing situation remains fluid, and the impact on Canadian consumer confidence in the face of a potentially significant inflationary threat is difficult to assess at this time.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 23, 2022.

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, 2022 and 2021
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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, 2021.

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, 2021.

WESTERN PACIFIC TRUST COMPANY
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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 *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, 2022 and December 31, 2021 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, 2022 and December 31, 2021.

WESTERN PACIFIC TRUST COMPANY
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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, 2022	December 31, 2021
Cash	\$ 627,122	\$ 571,385
Cash in interest bearing account	1,045,121	1,003,698
Total cash and cash equivalents	1,672,243	1,575,083
Deposits held by credit card processor	96,151	86,745
Deposit held by lessor (note 14)	18,832	18,832
Restricted cash	5,938	5,932
Total deposits	120,921	111,509
Accounts receivable	96,347	64,417
Interest receivable	133,836	9,092
	\$ 2,023,347	\$ 1,760,101

The Company's restricted cash consists of a cashable guaranteed investment certificate held as security for the SEDAR program, with interest at 0.75% per annum, and maturing April 2, 2023. 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, 2022, the Company had accounts payable and accrued liabilities of \$55,751 (December 31, 2021: \$79,463), which are due for payment within three months, current portion of lease liability of \$29,809 (December 31, 2021: \$69,889) and lease liability of \$Nil (December 31, 2021: \$12,003) until the lease term ending February 2023, current portion of subordinated loan of \$11,527 (December 31, 2021: \$11,527), due on demand, and subordinated loans of \$568,773 (December 31, 2021: \$514,614), which are due for payment from 2027 to 2032.

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
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4. Financial instruments (continued)

4.3 Financial risk management objectives and policies (continued)

c) Market 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.

With the significant decrease in interest rates on cash equivalents during the 2021 fiscal year and the rebound of the interest rates during the first nine months of 2022, the Company is exposed to interest rate volatility 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, 2022.

5. Accounts receivable

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

	September 30, 2022	December 31, 2021
Less than 1 month	\$ 17,857	\$ 7,856
1 to 3 months	13,793	5,195
More than 3 months	64,697	51,366
	<u>\$ 96,347</u>	<u>\$ 64,417</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 December 31, 2020	\$	133,913
Depreciation		(61,800)
Value of right-of-use asset as at December 31, 2021	\$	72,113
Depreciation		(46,350)
Value of right-of-use asset as at September 30, 2022	\$	25,763

Lease liability

Lease liability as at December 31, 2020	\$	148,375
Lease payments		(72,096)
Lease interest		5,613
Lease liability as at December 31, 2021	\$	81,892
Lease payments		(54,072)
Lease interest		1,989
Lease liability as at September 30, 2022	\$	29,809

Current portion	\$	29,809
Long-term portion		-
	\$	29,809

7. Property and equipment

Furniture and Equipment

Cost

As at December 31, 2020 and December 31, 2021	\$	188,013
Additions		9,368
As at September 30, 2022	\$	197,381

Accumulated amortization

As at December 31, 2020	\$	166,091
Charge for the year		4,384
As at December 31, 2021		170,475
Charge for the period		3,435
As at September 30, 2022	\$	173,910

Net book value

As at December 31, 2021	\$	17,538
As at September 30, 2022	\$	23,471

WESTERN PACIFIC TRUST COMPANY

Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

8. Intangible assets

	<u>Software</u>
Cost	
As at December 31, 2020, 2021 and September 30, 2022	\$ 53,702
Accumulated amortization	
As at December 31, 2020	\$ 37,843
Charge for the year	3,171
As at December 31, 2021	41,014
Charge for the period	1,903
As at September 30, 2022	\$ 42,917
Net book value	
As at December 31, 2021	\$ 12,688
As at September 30, 2022	\$ 10,785

9. Subordinated loans

Current subordinated loan

Non-interest bearing and due on demand ⁽¹⁾ at December 31, 2020, 2021 and September 30, 2022	\$ 11,527
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Long-term subordinated loans

	Long-term subordinated loans	Deferred gain on subordinated loans	Principal Advanced (Repaid)
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⁾	15,764	9,236	25,000
Subordinated loans at 6% per annum, due August 23, 2031 ⁽⁷⁾	295,000	-	295,000
Subordinated loan, non-interest bearing, due Oct 1, 2031 ⁽⁸⁾	12,433	7,567	20,000
Subordinated loan, non-interest bearing, due Nov 12, 2031 ⁽⁹⁾	1,236	764	2,000
Adjustment to deferred gain on extension of maturity date on subordinated loans	(8,691)	8,691	-
Accretion expense	3,173	(3,173)	-
Balance at December 31, 2021	514,614	43,026	557,640
Additions:			
Subordinated loan, non-interest bearing, due March 31, 2032 ⁽¹⁰⁾	15,348	9,652	25,000
Subordinated loan at 5% per annum, due June 1, 2032 ⁽¹¹⁾	100,000	-	100,000
Subordinated loan at 5% per annum, due August 31, 2032 ⁽¹¹⁾	40,000	-	40,000
Repayment:			
Subordinated loan at 5% per annum, due July 31, 2031 ⁽³⁾	(52,500)	-	(52,500)
Subordinated loan at 6% per annum, due August 23, 2031 ⁽⁷⁾	(15,000)	-	(15,000)
Subordinated loan, non-interest bearing, due March 24, 2031 ⁽²⁾	(35,870)	(24,770)	(60,640)
Accretion expense	2,181	(2,181)	-
Balance at September 30, 2022	\$ 568,773	\$ 25,727	\$ 594,500

WESTERN PACIFIC TRUST COMPANY
Notes to the Condensed Interim Consolidated Financial Statements
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9. Subordinated loans (continued)

- (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.
- (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 year, 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 year ended December 31, 2021, the Company repaid \$9,360 of the subordinated loan. In addition, during the 6 months ended June 30, 2022, the remaining balance of \$60,640 has been repaid.
- (3) The Company entered into subordinated loan agreements with certain insiders during the year ended December 31, 2020. During the year ended December 31, 2021, \$7,500 of the loan advanced on July 31, 2020 was repaid. During the quarter ended March 31, 2022, a further \$7,500 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. During the quarter ended June 30, 2022, \$45,000 of these subordinated loans with the maturity date of July 31, 2031 were repaid.
- (4) On February 26, 2021, the Company entered into a subordinated loan agreement with a director for \$7,500 with interest at 5% per annum.
- (5) On June 14, 2021, the Company entered into a subordinated loan agreement for \$50,000 with a third party with interest at 5% per annum.
- (6) On June 15, 2021, the Company entered into an agreement for a \$25,000 subordinated loan with a third party Issuer. 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. During the quarter ended June 30, 2022, \$15,000 of these subordinated loans were repaid.
- (8) On October 1, 2021, the Company entered into a second interest free subordinated loan for \$20,000 with a third party issuer. 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%.
- (9) On November 12, 2021, the Company entered into a subordinated loan for \$2,000 with a trust client for an interest free loan. 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%.
- (10) On March 31, 2022, the Company entered into a subordinated loan for \$25,000 with a trust client for an interest free loan. 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%.
- (11) On June 30, 2022, the Company entered into a subordinated loan for \$100,000 with a trust client at 5% interest per annum.
- (12) On August 31, 2022, the Company entered into a subordinated loan for \$40,000 with a trust client at 5% interest per annum.

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(Unaudited)

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:

26,293,558 (2021: 25,018,558) common shares (see note 11.1)
400 (2021: 400) Series I preferred shares with a value of \$10 each
130,550 (2021: 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.

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,	
	2022	2021	2022	2021
Income before adjustment for preferred shares dividends	\$ 50,281	\$ (2,142)	\$ 158,319	\$ 101,151
Amount paid as preferred share dividends	(16,368)	(16,368)	(49,106)	(49,106)
Adjusted income/(loss)	\$ 33,913	\$ (18,510)	\$ 109,213	\$ 52,045
Earnings/(loss) per share, basic	\$ 0.0013	\$ (0.0007)	\$ 0.0043	\$ 0.0021
Earnings per share, diluted	\$ 0.0012	\$ -	\$ 0.0041	\$ 0.0019

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.

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11. Share-based payments (continued)

11.1 Stock options (continued)

Details of the Company's stock options outstanding as of September 30, 2022 and December 31, 2021 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
Balance at December 31, 2020 and 2021	2,625,000	\$ 0.09
Exercised	(1,275,000)	0.08
Expired	(100,000)	0.11
Balance at September 30, 2022	1,250,000	\$ 0.10

On May 10, 2022, stock options of 609,970 with an exercise price of \$0.10 and stock options of 665,030 with an exercise price of \$0.07 were exercised and 1,275,000 common shares were issued.

On June 11, 2022, 75,000 stock options with an exercise price of \$0.12 expired unexercised.

On September 13, 2022, 25,000 stock options with an exercise price of \$0.07 expired unexercised.

11.2 Outstanding stock options

As at September 30, 2022, 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	150,000	\$ 0.06	0.13	150,000
November 26, 2022	\$ 0.10	1,100,000	\$ 0.07	0.16	1,100,000
		1,250,000		0.15	1,250,000

(*) Subsequent to September 30, 2022, 150,000 stock options with an expiry date of November 18, 2022, have expired unexercised.

As at December 31, 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	0.88	815,030
November 26, 2022	\$ 0.10	1,709,970	\$ 0.07	0.91	1,709,970
June 11, 2022	\$ 0.12	75,000	\$ 0.13	0.45	75,000
September 13, 2022	\$ 0.07	25,000	\$ 0.07	0.70	25,000
		2,625,000		0.89	2,625,000

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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, 2022, amounted to \$2,690,309 (December 31, 2021: \$2,436,687).

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, 2022.

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, 2022.

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, 2022 and 2021, the Company incurred the following charges related to management compensation:

	September 30, 2022	September 30, 2021
Management salaries	\$ 111,233	\$ 111,312
Directors' fees	29,750	32,625
Consulting fees paid to a company controlled by a director	78,960	73,600
Professional fees for consultant	41,947	33,819
Total compensation	\$ 261,890	\$ 251,356

During the nine months ended September 30, 2022, the Company paid dividends of \$23,044 (September 30, 2021: \$23,044) and paid interest of \$8,660 (September 30, 2021: \$4,862) to directors and close family members of directors. Finance expense includes interest for subordinated loans of \$7,079 (September 30, 2021: \$4,096) to directors and close family members of directors.

At September 30, 2022, the Company has \$23,008 (December 31, 2021: \$32,691) in accounts payable and accrued liabilities due to an officer, directors of the Company, and companies controlled by directors. In addition, \$137,500 (December 31, 2021: \$205,000) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest for subordinated loans of \$263 (September 30, 2021: \$868) has been included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2022, subordinated loans of \$67,500 were repaid and stock options of 1,275,000 were exercised with 1,275,000 common shares issued.

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

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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, expiring on February 28, 2023. 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).

In June 2022, the Company renewed the lease agreement for the existing premises effective March 1, 2023 for a term of five years to mature February 29, 2028. The base rent for the first two years will be \$6,230 per month, \$6,453 per month for the third and fourth years and \$6,675 per month for the fifth year. In addition, the Company acquired additional contiguous office space with the lease for the additional space commencing November 1, 2022 for a term of five years and four months, maturing February 29, 2028. The base rent for the additional space will be \$1,750 per month for the first and second years, \$1,813 per month for the third and fourth years, and \$1,875 per month for the remaining term.

The operating costs, which are calculated each year, were \$5,305 (2021: \$4,801) 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 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,	
	2022	2021	2022	2021
Salaries and benefits (note 13)	\$ 134,233	\$ 111,720	\$ 397,269	\$ 340,695
Professional fees (note 13)	47,639	42,260	145,417	130,210
Lease costs	14,005	13,357	41,479	34,664
Depreciation of Right-of-Use Assets (note 6)	15,450	15,450	46,350	46,350
Office and administration	53,080	38,180	149,239	119,526
E&O insurance	4,186	4,187	12,560	12,307
Directors' fees (note 13)	9,750	9,875	29,750	32,625
Compliance and regulatory	7,184	4,791	19,133	25,233
	<u>\$ 285,527</u>	<u>\$ 239,820</u>	<u>\$ 841,197</u>	<u>\$ 741,610</u>

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17. Income taxes

Deferred income tax asset at December 31, 2020	\$	-
Addition for the year		740,000
Deferred income tax asset at December 31, 2021		740,000
Income tax expense for the period		(58,500)
Deferred income tax asset at September 30, 2022	\$	681,500
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Current portion of deferred income tax asset	\$	88,000
Long term portion of deferred Income tax asset		593,500
Deferred income tax asset at September 30, 2022	\$	681,500

Income tax expense for the nine months ended September 30, 2022 has been recorded using the statutory rate of 27% on income before income taxes.

During the last quarter of the 2021 fiscal year, the Company recorded deferred income tax asset on the statement of financial position and deferred income tax recovery on the statement of comprehensive income due to a change in estimate which has been accounted for prospectively. Therefore, income tax expense of \$28,000 had not been recorded in the 2021 comparative financial statements.

The Company has non-capital losses available to be carried forward of \$3,436,112 at the beginning of the 2022 fiscal year.