

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated March 23, 2022, 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, 2021. 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, 2021 (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, 2021. The Company's functional and reporting currency is the Canadian dollar.

Statements of Financial Position-selected information

	As at December 31,		
	2021	2020	2019
Total current assets	\$ 1,687,035	\$ 1,243,008	\$ 1,117,060
Total non-current assets	923,848	285,099	352,245
Total assets	\$ 2,610,883	\$ 1,528,107	\$ 1,469,305
Total current liabilities	\$ 173,720	\$ 183,800	\$ 170,354
Total non-current liabilities	569,643	256,886	218,370
Total equity	1,867,520	1,087,421	1,080,581
Total liabilities and shareholders' equity	\$ 2,610,883	\$ 1,528,107	\$ 1,469,305

Current assets increased in the 2021 fiscal year compared to the same period in 2020 fiscal year due to an increase of cash and cash equivalents for proceeds from new subordinated loans of \$399,500 and the increase in revenue from Self-Administered Plan fees. In addition, during the 2021 fiscal year, the Company recognized deferred income tax assets of \$740,000 of which \$30,000 is included in current assets.

Non-current assets increased in 2021 compared to 2020 due to recognition of \$710,000 of non-current portion of deferred income tax assets, offset by the amortization of the right-of-use asset for the Company's office lease and the amortization for equipment and intangible assets.

Current liabilities for 2021 decreased compared to 2020 due to the decrease in vendor payables at the end of the 2021 fiscal year.

Non-current liabilities increased in 2021 compared to 2020, reflecting the proceeds of \$399,500 for new subordinated loans.

The increase in total equity in 2021 compared to 2020 is due to the increase of net income of \$105,584 and the recovery of deferred income tax of \$740,000, offset by the payment of dividends of \$65,475.

Statements of Comprehensive Income	As at December 31		
	2021	2020	2019
Total revenue	\$ 1,116,368	\$ 1,059,674	\$ 1,086,977
Total general and administrative expenses	(984,392)	(956,769)	(908,550)
Income before amortization, finance expense and share-based payments	131,976	102,905	178,427
Amortization	(7,555)	(9,428)	(11,110)
Finance expense and amortization of deferred gain on subordinated loans	(18,847)	(15,171)	(19,968)
Share-based payments	-	(1,626)	(3,995)
Deferred income tax recovery	740,000	-	-
Net income	\$ 845,574	\$ 76,680	\$ 143,354
Earnings per share - basic	\$ 0.031	\$ 0.000	\$ 0.003
Earning per share - diluted	\$ 0.028	\$ 0.000	\$ 0.003

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 2021 fiscal year to 2020 fiscal year

The Company recorded an increase in total revenue of \$56,694 or 5.35% in 2021 compared to 2020, primarily due to the increase of self-administered plans income of \$124,923 (14.0%). Fees received in respect to trust service fee increased by \$16,787 (59.0%) from an increase in new trust services, while interest income decreased in 2021 by \$77,498 (58.93%) due to a decrease GIC's rates, and also the decrease of consulting fees of \$7,518 (99.0%) compared to 2020.

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.

Expenses

Comparison of 2021 fiscal year to 2020 fiscal year

Total general and administrative expenses increased overall by \$27,623 in 2021 when compared to 2020. The increase is mainly attributable to the increase in staff salaries and the cost of benefits of \$18,425, \$7,426 for compliance and regulatory and \$8,068 for interest expense. The increase is offset by decreases in advertising and promotion expenses of \$5,125; bad debt of \$5,972; and rent expense of \$6,321.

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 \$4,797.

During the 2021 fiscal year, the Company recognized deferred income tax assets from the benefit of unused tax losses and deductible temporary differences based on management's estimate of future net taxable income. This resulted in the \$740,000 of deferred income tax recovery in the statement of comprehensive income for the 2021 fiscal year.

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
		\$	\$	\$	\$
Q4/21	December 31, 2021	256,609	744,423	0.0291/0.0263	2,610,883
Q3/21	September 30, 2021	244,875	(2,142)	(0.0007)	1,877,202
Q2/21	June 30, 2021	263,540	14,283	(0.0001)	1,594,241
Q1/21	March 31, 2021	351,344	89,010	0.0029/0.0026	1,587,119
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

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 2021 compared to the third quarter of 2021 as a result of an increase in self-administered plan revenue.

The increase in net income in the last quarter of 2021 is due to the recovery of deferred income tax of \$740,000 in addition to an increase in self-administered plan revenue.

Significant variances in previous quarters are discussed as follows:

Total assets increased in the **third quarter of 2021** compared to the second quarter of 2021 primarily due to the increase in subordinated loans of \$295,000.

Total revenue and net income (loss) decreased for the **third quarter of 2021** compared to the second quarter of 2021, mainly due to the lower self-administered plan revenue, lower interest income from investments and an increase in expenses for salaries and benefits and consulting fees.

Total revenue and net income both decreased for the **second quarter of 2021** due to seasonal fluctuation in self-administered plan revenue from the first to second quarter.

Total revenue and net income both increased for the **first quarter of 2021** due to an increase in self-administered plan business prior to the annual RRSP contribution deadline of March 1, 2021.

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.

Outlook

The COVID-19 pandemic resulted in governments worldwide enacting emergency measures to curb the spread of the virus and stabilize economic conditions, the ultimate efficacy of which has taken many months to determine. Those measures caused material economic disruptions to businesses giving rise to a slowdown in business activity. The related negative impact resulted in limited growth and substantially lower interest rates, significantly decreasing the Company's interest income, which in turn had a negative impact on revenue and profits. However, there is cautious optimism in the outlook for 2022, as business continues steadily increasing and interest rates rise.

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 continues to earn increasing 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, 2021, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at December 31, 2021, the Company had working capital of \$1,513,315 (December 31, 2020: \$1,059,208) available to fund its operations.

As at December 31, 2021, the Company had subordinated debt outstanding in the aggregate amount of \$569,167. The subordinated loans include \$295,000 with interest at 6% per annum of which \$115,000 are from related parties; \$155,000 subordinated loans with interest at 5% per annum with \$90,000 from related parties; and \$119,167 of the subordinated loans are from unrelated parties and bear no interest.

Off-Balance Sheet Arrangements

Other than Self-Administered Plan revenues beyond the reporting period and interest income held in term deposits from trust assets, the Company does not have any off-balance sheet items that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Transactions with Related Parties

Pursuant to the requirements of the Financial Institutions Act, WPTC's Conduct Review Committee is required to approve all related party transactions of the Company and report same to the Directors at meetings of the Board, which are held quarterly.

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, 2021 and 2020 were in the normal course of operations and were measured at the fair value of the services provided:

	Years ended	
	December 31, 2021	December 31, 2020
Management salaries	\$ 146,312	\$ 142,729
Directors' fees	42,750	40,203
Consulting fees paid to a company controlled by a director	98,800	96,000
Professional fees for consultant	45,194	44,975
Share-based payments	-	1,626
Total compensation	\$ 333,056	\$ 325,533

Finance expense includes interest for subordinated loans of \$6,969 (2020: \$1,919) and waiver fees of \$Nil (2020: \$1,879). For the year ended December 31, 2021, interest of \$6,810 (2020: \$Nil) and dividends of \$30,725 (2020: \$30,725) have been paid to directors and close family members of directors.

At December 31, 2021, the Company has \$32,691 (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 (2020: \$90,000) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest of \$2,002 (2020: \$1,619) has been included in finance expense.

Financial Instruments

As at December 31, 2021, 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

For the past two years 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 and the Government's related fiscal interventions remains uncertain, the Company is adjusting and adapting to the 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.

Russia-Ukraine Crisis

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.

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 condensed interim consolidated financial statements.

Share Purchase Options

A total of 5,003,711 Common shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

As at the date of this report, there are a total 2,625,000 shares under option, and 2,378,711 shares reserved and available for issuance under the Plan.

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)