

**WESTERN PACIFIC TRUST COMPANY**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2023**  
(Unaudited)

**INDEX**

	<b><u>Page</u></b>
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 – 15

**WESTERN PACIFIC TRUST COMPANY**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2023**  
(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, 2023 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and are the responsibility of the Company's management and approved by the Audit Committee of the Board of Directors. 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, 2023 (Unaudited)	December 31, 2022
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 2,206,346	\$ 1,922,643
Accounts receivable	5	102,332	87,826
Interest receivable		167,396	155,835
Prepaid expenses		23,176	9,854
		2,499,250	2,176,158
Deposits	4.3	120,448	119,705
Right-of-use asset	6	346,398	406,381
Property and equipment	7	30,092	22,061
Intangible assets	8	10,890	10,150
Deferred income tax asset	16	919,800	1,046,800
		\$ 3,926,878	\$ 3,781,255
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 63,407	\$ 98,409
Deferred revenue		15,499	11,095
Lease liability – current portion	6	70,001	66,927
Dividends payable on common shares	17	131,468	-
		280,375	176,431
Lease liability	6	303,032	355,747
Subordinated loans	9, 13	594,589	660,116
Deferred gain on subordinated loans	9	35,811	38,384
		1,213,807	1,230,678
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	10	1,726,883	1,726,883
Preferred shares	10, 13	1,272,584	1,272,584
Reserves		275,365	275,365
Accumulated deficit		(561,761)	(724,255)
		2,713,071	2,550,577
		\$ 3,926,878	\$ 3,781,255

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,	
		2023	2022	2023	2022
<b>Revenue</b>					
Consulting and trust service fee income		\$ 7,063	\$ 11,666	\$ 23,185	\$ 28,416
Self-Administered Plan fee income		257,417	255,972	921,052	876,793
Interest		197,326	95,292	540,956	177,368
		461,806	362,930	1,485,193	1,082,577
General and administrative expenses	13	317,295	285,527	958,072	841,197
<b>Income from operations</b>					
		144,511	77,403	527,121	241,380
Amortization of property and equipment	7	(1,734)	(1,278)	(4,601)	(3,435)
Amortization of intangible assets	8	(586)	(634)	(1,600)	(1,903)
Finance expense	9,13	(17,083)	(7,173)	(53,425)	(21,404)
Amortization of deferred gain on subordinated loans	9	453	563	2,573	2,181
<b>Net income before income taxes</b>					
		125,561	68,881	470,068	216,819
Income tax expense	16	34,000	18,600	127,000	58,500
<b>Net income and comprehensive income</b>					
		\$ 91,561	\$ 50,281	\$ 343,068	\$ 158,319
Earnings per share, basic	10	\$ 0.0029	\$ 0.0013	\$ 0.0112	\$ 0.0043
Earnings per share, diluted	10	\$ 0.0029	\$ 0.0012	\$ 0.0112	\$ 0.0041
Weighted average number of common shares outstanding		26,293,558	26,293,558	26,293,558	25,691,085

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, 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
Balance, December 31, 2022	26,293,558	\$ 1,726,883	130,950	\$ 1,272,584	\$ 275,365	\$ (724,255)	\$ 2,550,577
Dividends paid on preferred shares	-	-	-	-	-	(49,106)	(49,106)
Dividends declared on common shares	-	-	-	-	-	(131,468)	(131,468)
Net income for the period	-	-	-	-	-	343,068	343,068
Balance, September 30, 2023	26,293,558	\$ 1,726,883	130,950	\$ 1,272,584	\$ 275,365	\$ (561,761)	\$ 2,713,071

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,	
	2023	2022
<b>Operating activities</b>		
Net income for the period	\$ 343,068	\$ 158,319
Items not involving cash:		
Amortization of property and equipment and intangible assets	6,201	5,338
Amortization of deferred gain on subordinated loans	(2,573)	(2,181)
Accretion expense on subordinated loans	2,573	2,181
Amortization of right-of-use asset	59,983	46,350
Income tax expense	127,000	58,500
Interest on lease liability	20,643	1,989
	556,895	270,496
Changes in non-cash working capital balances		
Interest receivable	(11,561)	(124,744)
Accounts receivable	(14,506)	(31,930)
Deposits	(743)	(9,412)
Prepaid expenses	(13,322)	(10,863)
Accounts payable and accrued liabilities	(35,002)	(23,712)
Deferred revenue	4,404	(4,538)
Net cash provided by operating activities	486,165	65,297
<b>Investing activity</b>		
Property and equipment assets acquired	(14,972)	(9,368)
Net cash used in investing activity	(14,972)	(9,368)
<b>Financing activities</b>		
Lease liability payments	(70,284)	(54,072)
Proceeds from subordinated loans	47,000	165,000
Repayment of subordinated loans	(115,100)	(69,765)
Dividends paid	(49,106)	(49,106)
Common shares issued	-	49,174
Net cash provided by (used in) financing activities	(187,490)	41,231
Increase in cash and cash equivalents during the period	283,703	97,160
Cash and cash equivalents, beginning of the period	1,922,643	1,575,083
Cash and cash equivalents, end of the period	\$ 2,206,346	\$ 1,672,243
<b>Non-cash transactions:</b>		
Common shares issued	\$ -	\$ 58,375
Subordinated loans repaid	\$ -	\$ (58,375)
<b>Cash paid during the period for:</b>		
Interest	\$ 27,473	\$ 21,632
Income taxes paid	\$ -	\$ -
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 123,868	\$ 627,122
Term deposits	\$ 2,082,478	\$ 1,045,121

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, 2023 and 2022**  
(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 the 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 corporate registry 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 incremental increase in interest rates since the first quarter of 2022, have resulted in a marked increase in the Company’s interest income throughout the rest of 2022, and the nine months ended September 30, 2023.

Russia’s invasion of Ukraine injected additional uncertainty into the global economy, the full impact of which is difficult to predict, as its outcome and longevity remain unknown. The protracted crisis remains fluid, and the negative impact on Canadian consumer confidence in the face of continued inflation has been evident.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 22, 2023.

**2. Basis of preparation**

**2.1 Statement of compliance**

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. They do not include all the information required for full financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**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, 2022.

**3. Summary of significant accounting policies**

**3.1 Basis of consolidation**

These 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 policies**

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2022.

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(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*:

	<b>IFRS 9</b>
<b>Financial Asset</b>	
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable, interest receivable, and deposits	Amortized cost
<b>Financial Liability</b>	
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 cash equivalents approximate their carrying value as at September 30, 2023 and December 31, 2022 due to the demand nature or short-term maturity of these instruments. Subordinated loans approximate fair value as these are based on current market rates of interest. Cash and cash equivalents are 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, 2023 and December 31, 2022.

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, 2023	December 31, 2022
Cash and cash equivalents	\$ 2,206,346	\$ 1,922,643
Deposits	120,448	119,705
Accounts receivable	102,332	87,826
Interest receivable	167,396	155,835
	<b>\$ 2,596,522</b>	<b>\$ 2,286,009</b>

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

---

**4. Financial instruments** (continued)

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

**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, 2023, the Company had accounts payable and accrued liabilities of \$63,407 (December 31, 2022: \$98,409); dividends payable on common shares of \$131,468; which are due for payment within three months, current portion of lease liability of \$70,001 (December 31, 2022: \$66,927) and lease liability of \$303,032 (December 31, 2022: \$355,747) until the lease term ending February 2028, and subordinated loans of \$594,589 (December 31, 2022: \$660,116), which are due for payment from 2031 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.
- 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.

The Company is exposed to interest rate volatility risk due to cash equivalents held in term deposits with interest at the market rate.

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, 2023.

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

**5. Accounts receivable**

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

	September 30, 2023	December 31, 2022
Less than 1 month	\$ 15,599	\$ 11,825
1 to 3 months	7,856	9,859
More than 3 months	78,877	66,142
	<u>\$ 102,332</u>	<u>\$ 87,826</u>

Management reviews the collectability of the accounts receivable on a monthly basis and provides allowance on amounts that are not collectable. Allowance for doubtful accounts of \$12,984 (September 30, 2022: \$5,046) has been included in general and administrative expenses.

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

**Right-of-use asset**

Value of right-of-use asset as at December 31, 2021	\$ 72,113
Lease renewals and addition	399,663
Depreciation	(65,395)
Value of right-of-use asset as at December 31, 2022	\$ 406,381
Depreciation	(59,983)
<b>Value of right-of-use asset as at September 30, 2023</b>	<b>\$ 346,398</b>

**Lease liability**

Lease liability as at December 31, 2021	\$ 81,892
Lease renewals and addition	399,663
Lease payments	(75,353)
Lease interest	16,472
Lease liability as at December 31, 2022	\$ 422,674
Lease payments	(70,284)
Lease interest	20,643
<b>Lease liability as at September 30, 2023</b>	<b>\$ 373,033</b>

Current portion	\$ 70,001
Long-term portion	303,032
	<u>\$ 373,033</u>

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

**7. Property and equipment**

	<u>Furniture and Equipment</u>	
<b>Cost</b>		
As at December 31, 2021	\$	188,013
Additions		9,368
As at December 31, 2022		197,381
Additions		12,632
As at September 30, 2023	\$	210,013
<b>Accumulated amortization</b>		
As at December 31, 2021	\$	170,475
Charge for the year		4,845
As at December 31, 2022		175,320
Charge for the period		4,601
As at September 30, 2023	\$	179,921
<b>Net book value</b>		
As at December 31, 2022	\$	22,061
As at September 30, 2023	\$	30,092

**8. Intangible assets**

	<u>Software</u>	
<b>Cost</b>		
As at December 31, 2021 and 2022	\$	53,702
Additions		2,340
As at September 30, 2023	\$	56,042
<b>Accumulated amortization</b>		
As at December 31, 2021	\$	41,014
Charge for the year		2,538
As at December 31, 2022		43,552
Charge for the period		1,600
As at September 30, 2023	\$	45,152
<b>Net book value</b>		
As at December 31, 2022	\$	10,150
As at September 30, 2023	\$	10,890

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

**9. Subordinated loans**

	September 30, 2023	December 31, 2022
Non-interest bearing <sup>(1)</sup>	\$ 71,189	\$ 68,616
Interest bearing at 5% per annum <sup>(2)</sup>	156,000	140,000
Interest bearing at 7% per annum <sup>(3)</sup>	367,400	451,500
<b>Total long-term subordinated loans</b>	<b>\$ 594,589</b>	<b>\$ 660,116</b>
		Deferred gain on subordinated loans
Balance at December 31, 2021		\$ 43,026
Additions:		
Subordinated loan, non-interest bearing		23,165
Repayment:		
Subordinated loan, non-interest bearing		(24,770)
Accretion expense		(3,037)
Balance at December 31, 2022		\$ 38,384
Accretion expense		(2,573)
<b>Balance at September 30, 2023</b>		<b>\$ 35,811</b>

(1) Subordinated loans are recorded initially at the fair value and are calculated based on the fair value interest rate of 5% to 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 ended December 31, 2021, the maturity date of certain subordinated loans was extended and an adjustment of \$8,691 was recorded on the deferred gain on subordinated loans. Maturity dates commence June 15, 2031.

(2) Subordinated loans with interest at 5% and maturity dates commencing June 30, 2032.

(3) Subordinated loans include related parties with interest at 7% with maturity dates commencing on July 2031 through December 2032.

During the period ended September 30, 2023, \$50,100 subordinated loans from related parties and \$65,000 subordinated loans from unrelated parties with interest rate at 7% and maturity from 2031 to 2032 were repaid. In addition, the Company entered into subordinated loans of \$47,000 at an interest rate of 5% per annum with maturity date of 2023.

**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 (2022: 26,293,558) common shares (see note 11.1)  
400 (2022: 400) Series I preferred shares with a value of \$10 each  
130,550 (2022: 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.

## WESTERN PACIFIC TRUST COMPANY

### Notes to the Condensed Interim Consolidated Financial Statements

Nine Months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

#### 10. Share capital (continued)

##### 10.2 Preferred shares (continued)

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,	
	2023	2022	2023	2022
Income before adjustment for preferred shares dividends	\$ 91,561	\$ 50,281	\$ 343,068	\$ 158,319
Amount paid as preferred share dividends	(16,368)	(16,368)	(49,106)	(49,106)
Adjusted income	\$ 75,193	\$ 33,913	\$ 293,962	\$ 109,213
Earnings per share, basic	\$ 0.0029	\$ 0.0013	\$ 0.0112	\$ 0.0043
Earnings per share, diluted	\$ 0.0029	\$ 0.0012	\$ 0.0112	\$ 0.0041

#### 11. Share-based payments

##### 11.1 Stock options

The Company's new 20% fixed stock option plan (the "Plan") came into effect during the quarter. The new stock option plan incorporates certain requirements of the TSX Venture Exchange and allows the Company to grant stock options to eligible persons as defined under the new stock option plan. The maximum number of common shares issuable under the plan shall be 5,258,711. Stock options issued to insiders (as a group) are limited to 10% of the total issued and outstanding common shares, and any one optionee, a limit 5% of the issued and outstanding common shares. Any options granted to consultants and investor relations providers (as a group) shall not exceed 2% of the Company's issued and outstanding common shares 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.

Details of the Company's stock options outstanding as of September 30, 2023 and December 31, 2022 and changes during the respective periods are as follows:

	Number Outstanding	Weighted Average Exercise Price
Balance at December 31, 2021	2,625,000	\$ 0.09
Exercised	(1,275,000)	0.08
Expired	(1,350,000)	0.11
Balance at December 31, 2022 and September 30, 2023	-	\$ -

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

---

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

**11.1 Stock options (continued)**

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. The fair value of the stock options exercised of \$82,600 has been reallocated from share-based payments reserve to share capital. Of the total proceeds of \$107,549 from the exercise of stock options, \$58,375 were from the repayment of subordinated loans.

**12. Capital disclosures**

The Company considers its shareholders' equity and subordinated loans to be its capital, which, as at September 30, 2023, amounted to \$3,343,471 (December 31, 2022: \$3,249,077). 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, 2023.

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 period ended September 30, 2023.

**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, 2023 and 2022, the Company incurred the following charges related to management compensation:

	September 30, 2023	September 30, 2022
Management salaries	\$ 120,274	\$ 111,233
Directors' fees	44,250	29,750
Consulting fees paid to a company controlled by a director	85,400	78,960
Professional fees for consultant	37,102	41,947
<b>Total compensation</b>	<b>\$ 287,026</b>	<b>\$ 261,890</b>

During the nine months ended September 30, 2023, the Company paid dividends of \$23,044 (September 30, 2022: \$23,044) and paid interest of \$10,207 (September 30, 2022: \$8,660) to directors and close family members of directors. Finance expense includes interest for subordinated loans of \$9,687 (September 30, 2022: \$7,079) to directors and close family members of directors. In addition, \$31,000 of subordinated loans at 7% per annum were advanced by related parties and \$50,100 of subordinated loans at 7% per annum were repaid to related parties.

**WESTERN PACIFIC TRUST COMPANY**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine Months ended September 30, 2023 and 2022**  
(Expressed in Canadian Dollars)  
(Unaudited)

---

**13. Related party transactions and balances (continued)**

At September 30, 2023, the Company has \$28,256 (December 31, 2022: \$32,402) in accounts payable and accrued liabilities due to an officer, directors of the Company, and companies controlled by directors. In addition, \$137,400 (December 31, 2022: \$156,500) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest for subordinated loans of \$279 (September 30, 2022: \$263) 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**

The Company has lease agreements for its head office which mature on February 29, 2028 with annual based rent and operating costs which increase 2% to 5% over the term of the leases.

Cash commitments for minimum lease payments in relation to leased premises as at September 30, 2023 are payable as follows:

Not later than 1 year	\$	175,196
Later than 1 year and not later than 5 years		609,010
	\$	<u>784,206</u>

**15. Operating segments**

The Company operates in one industry segment, the financial services industry, and all operations and assets are situated in Canada.

**16. Income taxes**

Deferred income tax asset at December 31, 2021	\$	740,000
Addition for the year		400,000
Tax assets utilized for the year		(93,200)
Deferred income tax asset at December 31, 2022	\$	1,046,800
Income tax expense for the period		(127,000)
Deferred income tax asset at September 30, 2023	\$	<u>919,800</u>

Income tax expense for the period ended September 30, 2023, and for the year ended December 31, 2022, has been recorded using the statutory rate of 27% on income before income taxes. The current portion of deferred income tax assets as at December 31, 2022 was reclassified to long-term to be consistent with the presentation at September 30, 2023.

**17. Subsequent event**

Subsequent to September 30, 2023, on October 13, 2023 the Company paid dividends of \$0.005 per common share on the total common shares outstanding, for a total of \$131,468.