

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the nine months ended September 30, 2023
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated November 22, 2023, 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 nine months ended September 30, 2023. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the nine months ended September 30, 2023 (the "Financial Statements").

Basis of Presentation

The Company's condensed interim 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 ("TFSA's"), 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.

Corporate Registrar Services

The Company provides 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.

Results of Operations

The following selected consolidated financial data for the nine month periods ended September 30, 2021 to September 30, 2023 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the respective periods.

	Nine months ended September 30		
	2023	2022	2021
Total revenue	\$ 1,485,193	\$ 1,082,577	\$ 859,759
Total general and administrative expenses	958,072	841,197	741,610
Income before amortization, finance expense, share-based payments and income taxes	527,121	241,380	118,149
Amortization	(6,201)	(5,338)	(5,666)
Finance expense	(53,425)	(21,404)	(13,621)
Amortization of deferred gain on subordinated loans	2,573	2,181	2,289
Net income before income taxes	470,068	216,819	101,151
Income taxes	127,000	58,500	-
Net income	\$ 343,068	\$ 158,319	\$ 101,151
Earnings per share (basic)	\$ 0.0112	\$ 0.0043	\$ 0.0021
Earnings per share (diluted)	\$ 0.0112	\$ 0.0041	\$ 0.0019

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 During the Nine Months Ended September 30, 2023

Revenues

The Company recorded an increase in total revenue of \$402,616 compared to the same period in 2022, an overall increase of 37%. Fees received in respect to self-administered plans increased by \$44,259. In addition, interest income increased by \$363,588 and trust services fee income and consulting fees decreased by \$5,231 compared to the first nine months of 2022.

Expenses

Total general and administrative expenses increased overall by \$116,875 (14%), in the nine months of 2023 compared to 2022. This is mainly attributable to increases in salaries and benefits expense of \$39,520; rent and lease expenses of \$29,422; directors fees of \$14,500; computer software expense of \$9,108; bad debt expense of \$7,938; consulting fees of \$6,440 and professional fees of \$5,807. Finance expense increased in the nine months of 2023 compared to 2022 due to the increase in interest paid to subordinated loans and the increase in interest expense on lease liability.

Summary of Quarterly Results

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

Quarter ended		Total revenue	Net income and comprehensive income	Net income (loss) per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q3/23	September 30, 2023	461,806	91,561	0.0029/0.0029	3,926,878
Q2/23	June 30, 2023	432,325	66,947	0.0019/0.0019	3,943,345
Q1/23	March 31, 2023	591,062	184,560	0.0064/0.0064	3,977,163
Q4/22	December 31, 2022	441,434	482,664	0.0178/0.0178	3,781,255
Q3/22	September 30, 2022	362,930	50,281	0.0013/0.0012	2,784,172
Q2/22	June 30, 2022	308,905	15,899	(0.0000)	2,719,372
Q1/22	March 31, 2022	410,742	92,139	0.0030/0.0027	2,664,004
Q4/21	December 31, 2021	256,609	744,423	0.0291/0.0263	2,610,883

Revenue and net income (loss) for each quarter

The fluctuations in total revenue from quarter to quarter are due to the seasonal variations in revenue from self-administered plans and the related increase in interest income from increases in interest rates.

Total revenue and net income both increased for the **third quarter of 2023** due to an increase in investment and interest income.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both decreased for the **second quarter of 2023** due to seasonal fluctuations in self-administered plan revenue from the first to second quarter.

Total revenue and net income both increased for the **first quarter of 2023** due to an increase in self-administered plan revenue related to the annual RRSP contribution deadline as well as an increase in investment and interest income.

Total revenue and net income both increased for the **last quarter of 2022** due to an increase in investment and interest income.

During the **last quarter of the 2022**, the Company recorded additional deferred income tax asset on the statement of financial position and deferred income tax recovery on the statement of comprehensive income.

Total revenue and net income both increased for the **third quarter of 2022** due to an increase in investment and interest income.

Total revenue and net income both decreased for the **second quarter of 2022** due to seasonal fluctuations in self-administered plan revenue from the first to second quarter.

Total revenue and net income both increased for the **first quarter of 2022** due to an increase in self-administered plan revenue related to the annual RRSP contribution deadline.

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 recognition of recovery of deferred income tax of \$740,000 in addition to an increase in self-administered plan revenue.

During the **last quarter of 2021**, 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.

Outlook

The COVID-19 pandemic and related worldwide government emergency measures caused material economic disruptions to businesses giving rise to a slowdown in business activity. The negative impacts of

COVID-19 resulted in limited growth and substantially lower interest rates throughout 2021, adversely affecting the Company's revenue and profit margin. However, throughout 2022 revenue continued to grow, reflecting not only an increase in business, but a substantial increase in interest income as a result of several interest rate adjustments during 2022 by the Bank of Canada to offset inflation.

Inflation, continued interest rate hikes, and the threat of recession slowed the economy and resulted in lower or delayed investing during the first nine months of 2023.

While earlier concerns surrounding inflationary pressures and recession fears had cast a shadow of uncertainty, recent indicators suggest a potential stabilization of this threat for the nine months of 2023. Increased interest rates continue to have a positive effect on the Company's interest income, and there are grounds for cautious optimism that the worst of the inflationary challenges are behind us, while recession calls are delayed quarter by quarter. The Company will continue to closely monitor the economic environment and policy developments to ensure a robust and sustainable growth trajectory in the months ahead.

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 marketplace.

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 September 30, 2023, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at September 30, 2023, the Company had working capital of \$2,218,875 (December 31, 2022: \$1,999,727) available to fund its operations.

As at September 30, 2023, the Company had subordinated debt outstanding in the aggregate amount of \$630,400. The subordinated loans include \$137,400 with interest at 7% per annum from related parties; \$230,000 subordinated loans with interest at 7% per annum and \$156,000 with interest at 5% per annum from non-related parties; and \$107,000 of the subordinated loans (comprised of \$71,189 in subordinated loans and \$35,811 in deferred gain on 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 include directors and officers of the Company. Share-based payments consist of stock option issuances.

The following transactions with related parties for the nine months ended September 30, 2023 and 2022 were in the normal course of operations and were measured at the fair value of the services provided:

	Nine months ended	
	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
Total compensation	\$ 287,026	\$ 261,890

Finance expense includes interest of \$9,687 (September 30, 2022: \$7,079) for subordinated loans. Total interest of \$10,207 (September 30, 2022: \$8,660) and dividends of \$23,044 (September 30, 2022: \$23,044) has been paid to directors and close family members of directors.

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 of \$279 (September 30, 2022: \$263) has been included in finance expense.

Financial Instruments

As at September 30, 2023, 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 consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

Risks and Uncertainties

Inflation and Recession Threat

Management continues to monitor the impact of inflation and the threatening recession through the coming year. See Outlook section above for further detail.

Russia-Ukraine Crisis and the Conflict in the Middle East

The uncertainty in the global economy generated by Russia's invasion of Ukraine has only been heightened by the Israeli-Hamas conflict. The outcome and longevity of these crises remain unknown, as does the potential for expansion to other countries and related impact on oil and commodity prices. Ultimately, the negative impact on Canadian consumer confidence and inflation in the coming months is difficult to measure at this time.

Dependence on major clients

Plans opened for the Company's three largest issuer clients comprise a significant percentage of total revenues. 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 26,293,558 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 consolidated financial statements.

Share Purchase Options

The Company's new 20% fixed stock option plan was approved by the Company's shareholders at the Annual General and Special Meeting held May 31, 2023, and subsequently accepted for filing by the TSX Venture Exchange. Under the new stock option plan, a total of 5,258,711 Common shares are reserved for issuance under the Company's Stock Option Plan (the "Plan"). During the year ended December 31, 2022, 1,275,000 stock options were exercised and 1,135,000 stock options expired unexercised.

As at the date of this report, there are no stock options outstanding and 5,258,711 shares are available for issuance under the Plan.

Common Share Dividend

Subsequent to the third quarter, on October 13, 2023 the Company paid a dividend of \$0.005 per share on the outstanding Common shares, for a total dividend payment of \$131,468.

Leased Premises

In June 2022, the Company renewed its lease agreement for 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 which commenced on 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 \$1,629 per month for the first and second years, \$1,687 per month for the third and fourth years, and \$1,745 per month for the remaining term.

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)	John C.A. de Wit, CPA, CA
Alison Alfer	J. Cowan McKinney, FCPA, FCA
Bruce H. Bailey, CPA, CA	Steven O. Youngman, B.Comm., LL.B (Deputy Chair)
G. Benjamin Cutler	