

WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of
Results of Operations and Financial Position
For the nine months ended September 30, 2024
(Expressed in Canadian Dollars)

The following is management's discussion and analysis ("MD&A"), dated November 27, 2024, 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, 2024. 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, 2024 (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.SEDARplus.ca. 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 and Saskatchewan 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.

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.

Change in Accounting Policy

A change in accounting policy was effected to more accurately reflect the outstanding and vested stock options in the balance of the reserves.

During the quarter ended June 30, 2024 a retrospective change in accounting policy was made, where the Reserves account balance pertaining to the fair value of stock options granted, but since expired unexercised, was applied against the accumulated retained earnings (deficit).

Results of Operations

The following selected consolidated financial data for the nine-month periods ended September 30, 2022 to September 30, 2024 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the respective periods.

	Nine months ended September 30		
	2024	2023	2022
Total revenue	\$ 1,598,213	\$ 1,485,193	\$ 1,082,577
Total general and administrative expenses	(1,058,357)	(958,072)	(841,197)
Income before amortization, finance expense and income taxes	539,856	527,121	241,380
Amortization	(6,381)	(6,201)	(5,338)
Finance expense	(42,773)	(53,425)	(21,404)
Amortization of deferred gain on subordinated loans	4,177	2,573	2,181
Income tax expense	(133,600)	(127,000)	(58,500)
Net income	\$ 361,279	\$ 343,068	\$ 158,319
Earnings per share - basic	\$ 0.0119	\$ 0.0112	\$ 0.0043
Earnings per share - diluted	\$ 0.0119	\$ 0.0112	\$ 0.0041

Income before amortization, finance expense and income taxes 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, 2024

Revenues

The Company recorded an increase in total revenue of \$113,020 compared to the same period in 2023, an overall increase of 7.6%. Fees received in respect to self-administered plans increased by \$82,428. In addition, interest income increased by \$30,932. Trust services fee income and consulting fees was essentially flat compared to the first nine months of 2023.

Expenses

Total general and administrative expenses increased overall by \$100,285 (10%) in the first nine months of 2024 compared to 2023. This is mainly attributable to increases in salaries and benefits of \$91,696 due to the increase in base salaries and the hiring of additional staff during the first nine months, with the balance comprised of minor increases including professional fees, office administration, E&O insurance and

compliance and regulatory. The increase in expenses is offset by a decrease of \$10,652 in finance expense and a decrease of directors' fees of \$2,500.

Summary of Quarterly Results

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

Quarter ended		Total revenue	Net income and comprehensive income	Earnings per share (basic and diluted)	Total assets
		\$	\$	\$	\$
Q3/24	September 30, 2024	459,550	66,003	0.0019/0.0019	4,037,572
Q2/24	June 30, 2024	492,256	88,711	0.0028/0.0028	3,992,933
Q1/24	March 31, 2024	646,407	206,565	0.0072/0.0072	4,106,437
Q4/23	December 31, 2023	457,783	83,409	0.0029/0.0029	3,904,744
Q3/23	September 30, 2023	461,806	91,561	0.0029/0.0029	3,926,878
Q2/23	June 30, 2023	432,325	66,948	0.0019/0.0019	3,943,345
Q1/23	March 31, 2023	591,062	184,559	0.0064/0.0064	3,977,163
Q4/22	December 31, 2022	441,434	482,664	0.0178/0.0178	3,781,255

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/decrease in interest income from increases in interest rates.

Total revenue and net income both decreased for the **third quarter of 2024** due to a decrease in self-administered plan revenue and decrease in interest income.

Significant variances in previous quarters are discussed as follows:

Total revenue and net income both decreased for the **second quarter of 2024** 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 2024** 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 decreased for the **last quarter of 2023** due to a decrease in self-administered plan revenue.

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

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.

Outlook

Inflationary pressures and recession fears which had cast a shadow of uncertainty through much of 2023 had largely stabilized by the beginning of 2024. While softening interest rates have a negative impact on the Company's interest income, the Company continues to actively monitor rate projections and take steps

to maximize interest earned on the funds held in trust. The first nine months of 2024 have been encouraging and we look forward to continued 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. The Company must also maintain the required regulatory capital thresholds in Alberta and Saskatchewan.

As at September 30, 2024, the Company had a calculated Capital Base in excess of the Required Capital Base.

Capital Resources

As at September 30, 2024, the Company had working capital of \$2,481,611 (December 31, 2023: \$2,378,530) available to fund its operations.

As at September 30, 2024, the Company had subordinated debt outstanding in the aggregate amount of \$552,500. The subordinated loans include loans totaling respectively \$73,500 with interest at 7% per annum from related parties; \$165,000 subordinated loans with interest at 7% per annum; \$156,000 with interest at 5% per annum from non-related parties; and \$158,000 of the subordinated loans (comprised of

\$98,091 in subordinated loans and \$59,909 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, 2024 and 2023 were in the normal course of operations and were measured at the fair value of the services provided:

	Nine months ended	
	September 30, 2024	September 30, 2023
Management salaries	\$ 127,322	\$ 120,274
Directors' fees	41,750	44,250
Consulting fees paid to a company controlled by a director	90,600	85,400
Professional fees for consultant	36,150	37,102
Total compensation	\$ 295,822	\$ 287,026

Finance expense includes interest of \$5,319 (September 30, 2023: \$9,687) for subordinated loans. Total interest of \$5,981 (September 30, 2023: \$10,207) and dividends of \$23,044 (September 30, 2023: \$23,044) has been paid to directors and close family members of directors.

At September 30, 2024, the Company has \$29,669 (December 31, 2023: \$40,844) in accounts payable and accrued liabilities due to officers and directors of the Company, and companies controlled by directors. In addition, \$73,500 (December 31, 2023: \$137,400) of subordinated loans are due to directors or close family members of directors of the Company and accrued interest of \$174 (September 30, 2023: \$279) has been included in finance expense.

Financial Instruments

As at September 30, 2024, 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 recession threat on interest rates through the coming year. See Outlook section above for further detail.

Political uncertainty in the U.S. resulting from the recent presidential election could lead to fluctuations in the value of the Canadian dollar and other currencies, which may affect domestic investment strategies.

Russia-Ukraine Crisis and the Conflict in the Middle East

Continued uncertainty in the global economy generated by Russia's invasion of Ukraine and 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 two 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 has a 20% fixed stock option plan. Under the current stock option plan, a total of 5,258,711 Common shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

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

Common Share Dividend

In September 2024, the Company declared a dividend of \$0.0075 per share on the outstanding Common shares, for a total dividend payment of \$197,202. The dividend was paid subsequent to the third quarter, on October 18, 2024.

Leased Premises

The Company lease agreement for existing premises was 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. The lease for the additional space commenced 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.

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)