WestBond Enterprises Corporation

Quarterly Report
September 30, 2017

Management Discussion and Analysis

Dated November 15, 2017 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Periods Ended September 30, 2017

Caution Regarding Forward Looking Statements – ***This discussion includes statements about our expectations for the future. We believe that our expectations are reasonable; however, actual outcomes may differ materially from our expectations due to changes in operating performance, availability of and prices for raw materials, availability of trained labour, foreign exchange rate fluctuations, unexpected competition, and other technical, market and economic factors.***

Description of Our Business

We, WestBond Enterprises Corporation or the "Company," are a paper manufacturer and converter that supplies disposable paper products to many markets. A full description of our business and products is contained in the Management Discussion and Analysis included in our 2017 Annual Report. A pdf version of the 2017 Annual Report may be downloaded from our web site at www.westbond.ca or from the SEDAR web site at www.sedar.com. For a printed copy, please contact the Company. Additional information on the Company is also available on our web site and on the SEDAR web-site.

Discussion of Operations and Financial Condition

You should refer to our interim consolidated financial statements for the three and six month periods ended September 30, 2017 and our consolidated financial statements for the year ended March 31, 2017 while you read this discussion. Those financial statements provide significant material information that is not meant to be, nor is it, included in this discussion. This discussion is meant to provide information not included in the financial statements and an explanation of some of the financial statement information. You should also refer to the Management Discussion and Analysis that was included in our 2017 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since June 30, 2017, the date of the Management Discussion and Analysis in the 2017 Annual Report, is not repeated here.

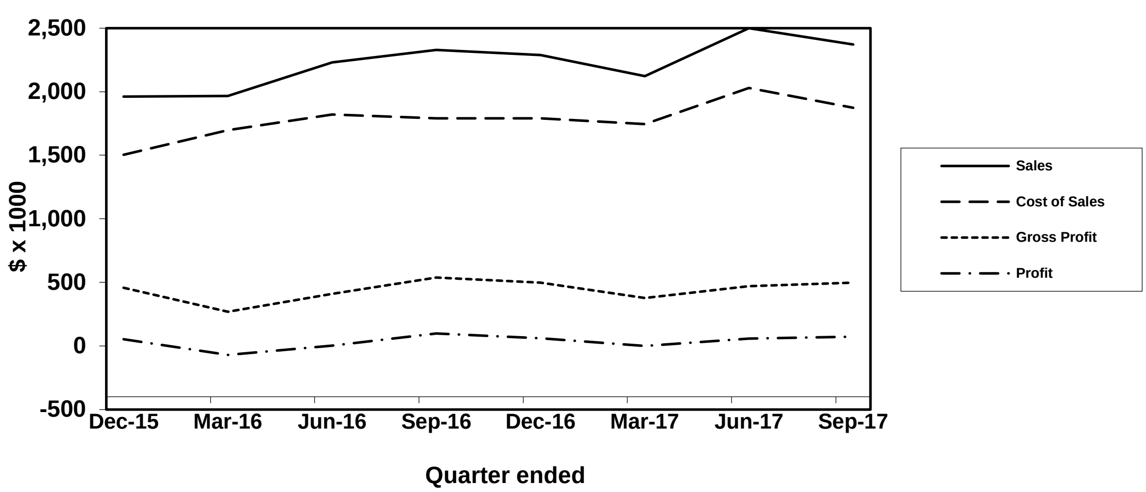
Sales were $2,371,465 for the three months ended September 30, 2017, which is 1.8% higher than for the three months ended September 30, 2016 and 5.1% lower than for the three months ended June 30, 2017. We realized a profit of $74,175 ($0.002 per share) for the three months ended September 30, 2017, compared to a profit of $97,761 ($0.003 per share) for the same period last year The decrease is due to higher materials and shipping costs.

The table and graph on the next page show the trends over the past eight quarters.

Summary of Quarterly Results

The following table summarises the results of operations for the past eight quarters. We have extracted the data from our consolidated financial statements, which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards.

	Quarters ended							
Cdn$ x 1,000	**Sep 30 2017**	**Jun 30 2017**	**Mar 31 2017**	**Dec 31 2016**	**Sep 30 2016**	**Jun 30 2016**	**Mar 31 2016**	**Dec 31 2015**
Sales	2,371	2,499	2,122	2,288	2,329	2,230	1,966	1,961
Cost of sales	1,873	2,030	1,746	1,791	1,791	1,821	1,696	1,504
Gross profit	498	469	376	497	538	409	270	457
Selling and distribution expenses	207	188	171	185	185	193	142	162
General and administrative expenses	146	164	155	170	162	166	163	153
Operating profit (loss)	145	117	50	142	191	50	(35)	142
Other expenses (income)	44	38	47	60	59	47	57	66
Profit (loss) before tax	101	79	3	82	132	3	(92)	76
Income tax expense (recovery)	27	21	2	22	35	-	(21)	22
Profit (loss)	74	58	1	60	97	3	(71)	54
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.002	0.000	0.002	0.003	0.000	(0.002)	0.002
Sales - % change over previous quarter	-5.1	17.7	-7.2	-1.8	4.4	13.4	0.3	-1.8
Costs, expenses and net income - % of Sales								
Cost of sales	79.0	81.2	82.3	78.3	76.9	81.7	86.3	76.7
Selling and distribution expenses	8.8	7.6	8.1	8.1	7.9	8.7	7.3	8.2
General and administrative expenses	6.1	6.6	7.3	7.4	7.0	7.4	8.3	7.8
Other expenses (income)	1.9	1.5	2.2	2.6	2.5	2.1	2.7	3.4
Income tax expense (recovery)	1.1	0.8	0.1	1.0	1.5	0.0	-1.1	1.1
Profit (loss)	3.1	2.3	0.0	2.6	4.2	0.1	-3.5	2.8



Sales

Sales for the three months ended September 30, 2017 were 1.8% higher than for the same period last year and 5.1% lower than the previous quarter, ended June 30, 2017. The decrease is due to an equipment breakdown which prevented us from manufacturing some of our products. The equipment has been repaired and we are now back on track with increasing sales volumes.

Sales	Three months ended September 30		Change over last year	Six months ended September 30		Change over last year
Product Line	2017 $	2016 $		2017 $	2016 $	
Personal hygiene	1,078,354	1,120,930	-3.8%	2,266,250	2,126,462	6.6%
Clinical	437,280	433,834	0.8%	923,271	895,702	3.1%
Long-term care	533,514	572,554	-6.8%	1,143,558	1,168,984	-2.2%
Air laid paper	89,310	146,584	-39.1%	266,957	244,982	9.0%
Air laid napkins	127,109	28,586	344.7%	153,170	57,579	166.0%
Other	105,898	26,644	297.5%	117,137	65,354	79.2%
	2,371,465	2,329,132	1.8%	4,870,343	4,559,063	6.8%

Cost of Sales

Materials costs, as a percentage of sales, were higher in 2017 than in 2016 due to lower than standard paper yields. We had difficulty purchasing paper in optimum grades, which meant we had to substitute heavier grades than standard, resulting in higher paper usage, and sizes, which caused higher than standard wastage. Our labour efficiency improved during 2017 due to longer production runs, which reduces product change machine set-up labour. Variable overhead was lower in 2017 than in 2016 from lower maintenance costs and from lower electricity and gas consumption during the equipment breakdown.

Cost of Sales	Three months ended September 30		Six months ended September 30	
	2017 % of sales	2016 % of sales	2017 % of sales	2016 % of sales
Materials	50.5%	46.7%	52.0%	48.5%
Production labour	8.8%	9.0%	8.3%	9.1%
Factory overhead labour	4.6%	4.6%	4.5%	4.8%
Variable overhead	2.4%	3.5%	2.9%	3.6%
Fixed overhead	5.3%	5.4%	5.2%	5.4%
Depreciation	7.4%	7.7%	7.2%	7.8%
Gross Margin	21.0%	23.1%	20.0%	20.8%

Selling Expenses

Selling expenses during the three months ended September 30, 2017 were 8.8% of sales, compared to 7.9% for the three months ended September 30, 2016. The increase is from higher shipping costs.

General and Administrative Expenses

Some general and administrative expenses were lower in 2017 than in 2016. Reduced credit card fees caused the decrease in administration and office expense. Salaries and employee benefits are lower due to staff vacations taken.

During the six months ended September 30, 2017 the company incurred total short-term employee benefits of $179,326 (2016 – $180,173) to its key management personnel, comprising the directors and officers of the company, and incurred $3,913 (2016 – $7,089) of professional fees in the normal course of operations paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, a director of the company, is a partner. The professional fees are for legal services provided to the Company at rates normally charged to arm’s length parties.

Other Income and Expenses

Fluctuations in the US dollar exchange rate resulted in a $5,508 gain in the three months ended September 30, 2017, compared with a $15,246 gain in the same period last year. Interest expense is lower in 2017 than 2016 because of lower loan balances.

Liquidity, Financial Position and Capital Resources

Our operating cash flows were $338,574 during the three months ended September 30, 2017, an average of $112,858 per month, compared to an average of $100,059 per month during the year ended March 31, 2017, before accounting for fluctuations in non-cash working capital. We had working capital of $879,385 at September 30, 2017, compared to $722,413 at March 31, 2017. The increase is due to the improved operating cash flows, offset by term loan payments and equipment purchases.

We plan to re-invest our surplus cash flow in new equipment to continue to expand the Company's product lines and improve efficiency and to pay off bank debt.

We have a revolving bank loan facility of $1,500,000, of which $20,550 was used at September 30, 2017. The loan outstanding at any time may not be greater than the total of 75% of Canadian accounts receivable, 50% of US accounts receivable and 50% of inventory, less accounts payable having priority over the bank, such as to governments and employees. Accounts receivable older than 90 days and inventory in excess of $1,500,000 are not included in the calculation. Loans outstanding under the facility bear interest at bank prime plus 0.75%. Substantially all of the Company’s assets are pledged as collateral for the revolving bank loan facility.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $300,000 and accounts payable by an additional $300,000. We purchase our pulp and paper supplies in relatively large quantities and often have large shipments to customers on credit, which are the main reasons for these fluctuations.

We also have a term loan credit facility which was used for the purchase of our binder bonded air laid paper making machine. Repayment of the loan is in monthly instalments of $59,524 with a final payment of the balance of principal on August 22, 2019 (which was extended from August 22, 2018 subsequent to June 30, 2017). We intend to get annual one-year extensions of the final payment date at least one year before the final payment date so that no more than $714,288 (twelve monthly payments of $59,524) of the term loan is current at any time. Interest is payable monthly at bank prime plus 1.5% per annum. A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of the company’s assets are pledged as collateral.

We intend to spend around $300,000 for production equipment during the next year, which we will finance from operating cash flows.

New Accounting Policies

The International Accounting Standards Board adopted *IAS 16, Leases,* in January 2016, effective for financial years beginning on or after January 1, 2019. The new standard requires a lessee to recognize a “right-of-use” asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee recognizes depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Assets and liabilities are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

Effective for our financial year ending March 31, 2020, we will be required to reflect an asset and related liability for the lease of our premises. We have not yet quantified the impact this will have on our financial position.

The International Accounting Standards Board adopted *IFRS 15, Revenue from Contracts with Customers,* in May 2014 effective for financial years beginning on or after January 1, 2018, which establishes the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. The adoption of this standard will not have any significant impact on our financial statements, other than the disclosure of additional information, which is already provided in this Management Discussion and Analysis.

Share Capital

The Company has only one class of share capital, common shares without par value. The Company also has a stock option plan.

	November 15, 2017
Authorized common shares without par value	Unlimited
Issued common shares	33,665,800
Shares issuable on exercise of outstanding stock options	2,000,000
Shares available for future stock option grants	1,366,580

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company.

Other Information

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's web-site at www.westbond.ca.

WestBond Enterprises Corporation

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and six month periods ended September 30, 2017 and 2016 have been prepared by and are the responsibility of the company's management. They are unaudited and have not been reviewed by independent auditors.

WestBond Enterprises Corporation
Consolidated Statements of Financial Position
Canadian Dollars
(Unaudited)

	Notes	September 30 2017	March 31 2017
		$	$
ASSETS			
Non-Current Assets			
Plant and equipment		8,418,236	8,735,948
Lease deposits		18,012	18,012
Deferred tax asset		-	4,350
		8,436,248	8,758,310
Current Assets			
Inventory		1,047,128	1,180,152
Trade and other receivables		1,135,394	891,105
Income tax recoverable		3,461	5,055
Prepaid expenses		69,210	41,698
Cash and cash equivalents		181,828	124,677
		2,437,021	2,242,687
Total Assets		10,873,269	11,000,997
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,883,225	3,883,225
Stock options		96,200	96,200
Contributed surplus		286,874	286,874
Retained earnings		737,312	604,855
Equity attributable to common shareholders		5,003,611	4,871,154
Liabilities			
Non-Current Liabilities			
Term bank loans	3	3,511,900	3,869,044
Deferred operating lease liability		147,922	132,151
Deferred tax liability		652,200	608,374
		4,312,022	4,609,569
Current Liabilities			
Revolving bank loans		20,550	-
Term bank loans	3	714,288	714,288
Trade and other payables		822,798	805,986
		1,557,636	1,520,274
Total Liabilities		5,869,658	6,129,843
Total Equity and Liabilities		10,873,269	11,000,997

WestBond Enterprises Corporation
Consolidated Statements of Comprehensive Income
Canadian Dollars
(Unaudited)

	Notes	Three months ended September 30		Six months ended September 30	
		2017	2016	2017	2016
		$	$	$	$
Sales		2,371,465	2,329,132	4,870,343	4,559,063
Cost of sales	5	1,872,560	1,790,798	3,902,662	3,611,761
Gross Profit		498,905	538,334	967,681	947,302
Selling and distribution expenses	6	207,594	184,503	396,006	377,360
General and administrative expenses	7	145,837	162,343	309,466	328,030
Operating Profit		145,474	191,488	262,209	241,912
Foreign exchange (gain) loss		(5,508)	5,698	(15,246)	(1,377)
Interest expense		49,623	53,014	96,822	107,243
Profit Before Tax		101,359	132,776	180,633	136,046
Income tax expense		27,184	35,015	48,176	35,347
Profit and Comprehensive Income		74,175	97,761	132,457	100,699
Weighted average shares outstanding		33,665,800	33,665,800	33,665,800	33,665,800
Earnings per share, basic and fully diluted		0.002	0.003	0.004	0.003

The accompanying notes are an integral part of these interim consolidated financial statements.

WestBond Enterprises Corporation
Consolidated Statements of Changes in Equity
Canadian Dollars
(Unaudited)

	Common Shares	Stock Options	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$
Balance as at March 31, 2016	3,883,225	96,200	286,874	443,775	4,710,074
Profit for the period	-	-	-	100,699	100,699
Balance as at September 30, 2016	3,883,225	96,200	286,874	544,474	4,810,773
Balance as at March 31, 2017	3,883,225	96,200	286,874	604,855	4,871,154
Profit for the period	-	-	-	132,457	132,457
Balance as at September 30, 2017	3,883,225	96,200	286,874	737,312	5,003,611

The accompanying notes are an integral part of these interim consolidated financial statements.

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows
Canadian Dollars
(Unaudited)

	Notes	Three months ended September 30		Six months ended September 30	
		2017	**2016**	**2017**	**2016**
				$	**$**
Operating Activities					
Profit		74,175	97,761	132,457	100,699
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation		178,112	182,231	354,780	361,551
- deferred operating lease liability		7,886	7,885	15,771	15,771
- interest expense		49,623	53,014	96,822	107,243
- income tax expense		27,184	35,015	48,176	35,347
- income tax refunded		1,594	13,456	1,594	13,456
Cash flows from operating activities before changes in non-cash working capital		338,574	389,362	649,600	634,067
Decrease (increase) in					
- inventory		65,555	(141,607)	133,024	36,330
- trade and other receivables		26,212	(62,584)	(244,289)	(167,390)
- prepaid expenses		(45,379)	(43,312)	(27,512)	(24,643)
(Decrease) increase in					-
- trade and other payables		(326,206)	284,038	31,562	(25,251)
Net Cash Flow from Operating Activities		58,756	425,897	542,385	453,113
Investing Activities					
Purchase of plant and equipment	8	(19,369)	(48,763)	(50,845)	(105,541)
Net Cash Flow from Investing Activities		(19,369)	(48,763)	(50,845)	(105,541)
Financing Activities					
Repayment of term loans		(178,572)	(59,524)	(357,144)	(59,524)
Increase (decrease) in revolving bank loans		20,550	(90,673)	20,550	(101,095)
Interest paid		(49,287)	(53,230)	(97,795)	(102,936)
Net Cash Flow from Financing Activities		(207,309)	(203,427)	(434,389)	(263,555)
Net (Decrease) Increase in Cash and Cash Equivalents		(167,922)	173,707	57,151	84,017
Cash and Cash Equivalents at the Beginning of the Period		349,750	27,589	124,677	117,279
Cash and Cash Equivalents at the End of the Period		181,828	201,296	181,828	201,296

The accompanying notes are an integral part of these interim consolidated financial statements.

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its wholly owned subsidiary, WestBond Industries Inc., (together, the company) are a paper manufacturer and converter that manufactures disposable products for medical, hygienic and industrial uses. The company's manufacturing facilities are in Canada and its sales are primarily to Canada and the United States of America. The company is incorporated in British Columbia, Canada, and has its principal place of business at 101 – 7403 Progress Way, Delta, British Columbia.

The interim consolidated financial statements of the company for the three and six month periods ended September 30, 2017 were approved and authorized for issue by resolution of the directors on November 15, 2017.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting,*("IAS 34"). The policies applied in these interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending March 31, 2018 could result in restatement of these interim consolidated financial statements. The interim consolidated financial statements have been prepared under the historical cost convention.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2017.

The disclosure contained in these interim consolidated financial statements is condensed and includes only selected explanatory notes and does not duplicate or repeat disclosure reported in the consolidated financial statements for the year ended March 31, 2017 that has not changed materially since their date of issue. Accordingly, these interim consolidated financial statements should only be read in conjunction with the consolidated financial statements of the company for the year ended March 31, 2017.

3. TERM BANK LOANS

During the six months ended September 30, 2017 the final payment of the balance of principal on the company's term bank loan was extended to August 2019.

4. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2017, the company incurred total compensation, comprising short-term employee benefits, of $179,326 (2016 – $180,173), to the directors and officers of the company and incurred $3,913 (2016 – $7,089) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
September 30, 2017 and 2016
Canadian Dollars
(unaudited)

	Three months ended September 30		Six months ended September 30	
	2017	2016	2017	2016
	$	$	$	$
5. COST OF SALES				
Materials	1,198,355	1,087,795	2,533,810	2,209,755
Production labour	208,836	209,481	405,754	416,397
Factory overhead labour	107,794	107,760	220,744	216,855
Variable overhead	57,025	80,393	140,573	165,138
Fixed overhead	125,544	126,211	253,264	248,192
Depreciation	175,006	179,158	348,517	355,424
	1,872,560	1,790,798	3,902,662	3,611,761
6. SELLING AND DISTRIBUTION EXPENSES				
Shipping	176,015	154,859	329,475	321,274
Wages, commissions and other employee benefits	29,231	26,707	56,970	50,420
Other	2,348	2,937	9,561	5,666
	207,594	184,503	396,006	377,360
7. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	34,422	46,905	72,476	91,490
Corporate promotion	5,129	2,145	5,917	3,627
Professional fees	12,636	14,316	26,291	27,489
Salaries and other employee benefits	93,650	98,977	204,782	205,424
	145,837	162,343	309,466	328,030
8. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	(1,580)	(21,729)	(13,777)	(6,834)