WestBond Enterprises Corporation

Quarterly Report
September 30, 2021

Management Discussion and Analysis

Dated November 24, 2021 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Periods Ended September 30, 2021

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 currency 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 manufactures disposable paper products for many market segments. A full description of our business and products is contained in the Management Discussion and Analysis included in our 2021 Annual Report. A pdf version of the 2021 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

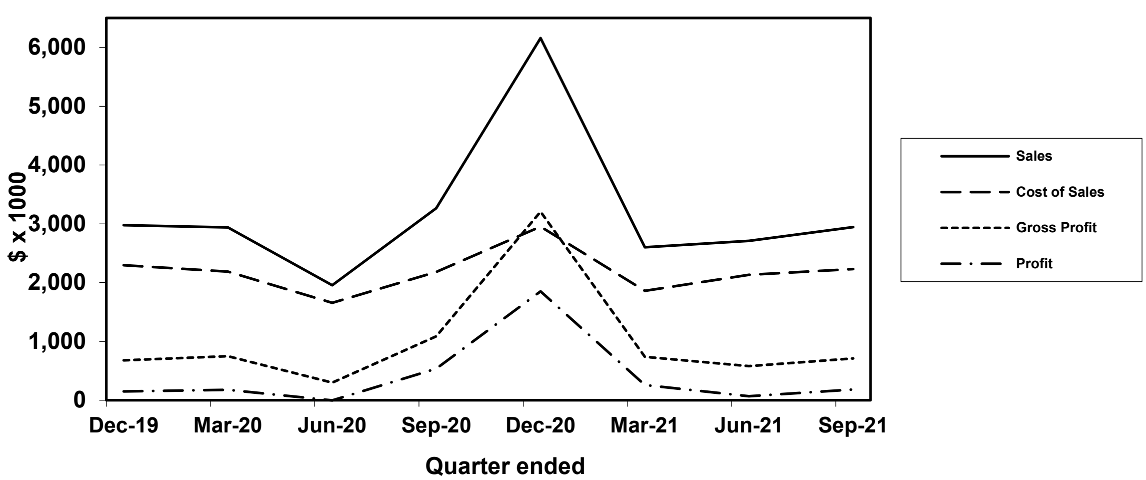
You should refer to our interim consolidated financial statements for the three and six month periods ended September 30, 2021 and our consolidated financial statements for the year ended March 31, 2021 while you read this discussion. Those financial statements provide significant material information 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 2021 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 23, 2021, the date of the Management Discussion and Analysis in the 2021 Annual Report, is not repeated here.

Sales were $2,942,297 for the three months ended September 30, 2021, which is 10.0% lower than for the three months ended September 30, 2020 and 8.6% higher than for the three months ended June 30, 2021. We realized a profit of $182,353 ($0.005 per share) for the three months ended September 30, 2021, compared to a profit of $538,291 ($0.015 per share) for the same period last year. The decrease in both sales and profit is due to reduced demand for our wet-wipe products, offset by increased demand for our non-wipe air laid products. 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 2021**	**Jun 30 2021**	**Mar 31 2020**	**Dec 31 2020**	**Sep 30 2020**	**Jun 30 2020**	**Mar 31 2020**	**Dec 31 2019**
Sales	2,942	2,708	2,599	6,158	3,268	1,955	2,936	2,978
Cost of sales	2,233	2,130	1,861	2,952	2,182	1,656	2,186	2,298
Gross profit	709	578	738	3,206	1,086	299	750	680
Selling and distribution expenses	225	232	187	247	208	186	224	249
General and administrative expenses	207	211	165	333	186	181	176	184
Operating profit (loss)	277	135	386	2,626	692	(68)	350	247
Other expenses (income)	30	31	36	55	(42)	(64)	87	44
Profit (loss) before tax	247	104	350	2,571	734	(4)	263	203
Income tax expense (recovery)	65	34	92	721	196	(1)	84	52
Profit (net loss)	182	70	258	1,850	538	(3)	179	151
Earnings (loss) per share, basic and diluted - Cdn$	0.005	0.002	0.007	0.052	0.015	(0.000)	0.005	0.004
Dividends paid per share - Cdn$	-	0.02	0.02	-	-	-	0.0025	0.0025
Sales - % change over previous quarter	8.6	4.2	-57.8	88.4	67.1	-33.4	-1.4	-0.9
Costs, expenses and net income - % of Sales								
Cost of sales	75.9	78.6	71.6	47.9	66.8	84.7	74.4	77.1
Selling and distribution expenses	7.6	8.6	7.2	4.0	6.4	9.5	7.6	8.3
General and administrative expenses	7.0	7.8	6.3	5.4	5.7	9.3	6.0	6.2
Other expenses (income)	1.0	1.2	1.4	0.9	(1.3)	(3.3)	3.0	1.5
Income tax expense (recovery)	2.3	1.2	3.6	11.8	6.0	(0.1)	2.9	1.8
Net profit (loss)	6.2	2.6	9.9	30.0	16.5	(0.1)	6.1	5.1



Sales

Sales for the three months ended September 30, 2021 were 10.0% lower than for the same period last year and 8.6% higher than the previous quarter, ended June 30, 2021. As a supplier of clinical and personal hygiene products, essential services, we have remained in operation during the covid-19 pandemic shut-downs, which started in March 2020. Demand has fallen for our personal hygiene products, which are used in away from home locations, many of which are closed or operating at greatly reduced capacity, though demand for those products is now starting to rebound. Clinical products demand has fallen as clinics and doctors' offices have reduced in-person patient visits, though demand for these products in also starting to rebound. Dry wipes continue in high demand. Previously dry wipes were mainly used in long-term care facilities. They are now sold to other markets as well to be used with disinfectant sprays. Demand for non-wipe air laid products, which primarily end up in restaurants, fell until March 2021 and is starting to rebound significantly.

In 2019, prior to covid-19, we committed to a disinfectant wipe production line because of the then existing market demands for these products. Most of our health care, janitorial and industrial customers carry these products. Covid-19 accelerated the demand for our ViroBan Plus disinfectant wipes which were introduced in late August 2020. We decided to support a government stockpiling contract for these wipes from August 2020 to January 2021. This contract is now completed. In addition, demand for ViroBan Plus declined significantly because, even though the wipes are Health Canada registered, they did not appear on their list of approved wipes for covid-19. The reason is that they were only tested and registered in the USA. Our wipes have now been tested and registered with Health Canada against SARS-2 (the virus that causes covid-19) and found the kill time to be 30 seconds – one of the best on the market. We have now received approval from Health Canada to add this claim to the ViroBan Plus label and ViroBan Plus is now on the Health Canada list of approved wipes. We expect our sales to increase significantly on a long-term basis.

Floods and mud slides caused by unprecedented rainstorms during November 2021 in southwestern British Columbia damaged and closed all road and rail routes connecting Greater Vancouver to the rest of Canada. Two minor road routes have recently re-opened for essential traffic only. This is reducing our ability to ship to Canadian customers outside the Greater Vancouver area. Shipments to US and local customers are not affected.

Sales	Three months ended September 30		Change over last year	Six months ended September 30		Change over last year
Product Line	2021 $	2020 $		2021 $	2020 $	
Personal hygiene	633,868	570,685	11.1%	1,237,612	1,283,144	-3.5%
Clinical	405,541	380,753	6.5%	878,453	694,590	26.5%
Wipes	378,979	1,943,331	-80.5%	858,623	2,670,327	-67.8%
Non-wipe air laid	1,488,403	366,716	305.9%	2,622,367	552,639	374.5%
Other	35,506	6,814	421.1%	53,733	22,941	134.2%
	2,942,297	3,268,299	-10.0%	5,650,788	5,223,641	8.2%

Cost of Sales

Materials costs, as a percentage of sales, is higher in 2021 than 2020 as non-wipe air laid has a higher materials component than the other products. Production labour increased due to a general wage rate increase for most production employees and overtime pay made necessary by a labour shortage. Factory overhead labour decreased due to the retirement of the plant manager, whose duties were spread amongst other personnel. Fixed overhead is higher in 2021 due to increased insurance rates offset by a refund of lease operating costs and property taxes for last year.

Cost of Sales	Three months ended September 30		Six months ended September 30	
	2021 % of sales	2020 % of sales	2021 % of sales	2020 % of sales
Materials	46.6%	43.0%	47.5%	44.5%
Production labour	9.2%	7.9%	9.2%	8.6%
Factory overhead labour	4.3%	3.7%	4.4%	5.1%
Variable overhead	5.1%	3.6%	5.2%	4.4%
Fixed overhead	2.2%	1.6%	2.0%	2.1%
Depreciation of plant equipment	6.3%	5.0%	6.6%	6.3%
Depreciation of right-of-use assets	2.2%	2.0%	2.3%	2.5%
Gross Profit	24.1%	33.2%	22.8%	26.5%

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended September 30, 2021 were 7.6% of sales, compared to 6.4% for the three months ended September 30, 2020, which is within our normal operating range.

General and Administrative Expenses

Administrative and office expenses were higher in the three months ended September 30, 2021 than in 2020 from increased salaries and other employee benefits for administrative staff, both from increased staff and increased pay rates.

During the six months ended September 30, 2021 the company incurred total short-term employee benefits of $226,710 (2020 – $200,489) to its key management personnel, comprising the directors and officers of the company, and incurred $4,280 (2020 – $8,400) of professional fees in the normal course of operations paid to DuMoulin Black LLP, a law firm with which J. Douglas Seppala, a director of the company, is associated. 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 $5,734 gain during the three months ended September 30, 2021, compared with a $3,065 loss in the same period last year. Interest expense on bank loans and lease liabilities is lower in 2021 than 2020 because of lower principal balances. We recognized an unrealized gain of $7,121 to reflect the market value fluctuation of our interest rate swap during the three months ended September 30, 2021. We no longer qualify for the Canada Emergency Wage Subsidy that we received in 2020.

Liquidity, Financial Position and Capital Resources

Our operating cash flows, before accounting for fluctuations in non-cash working capital were $587,181 during the six months ended September 30, 2021, an average of $97,864 per month, compared to an average of $408,588 per month during the year ended March 31, 2021. The reduction is from reduced sales. We had working capital of $1,250,488 at September 30, 2021, compared to $1,893,571 at March 31, 2021. The change is due to positive operating cash flows offset by increased receivables, decreased accounts payable, equipment purchases, term loan and interest payments, lease principal and interest payments and dividends paid.

We resumed our quarterly dividend in March and June 2021 at the increased rate of $0.02 per share. We have temporarily suspended the quarterly dividend until the sales and profits increase with the re-opening of our economy, which we expect in the December 2021 or March 2022 quarters. We intend to spend around $200,000 on equipment over the next year, which we will finance from operating cash flows, supplemented by our revolving bank loan facility.

We have a revolving bank loan facility of $1,500,000. The loan outstanding at any time may not be greater than an amount based on percentages of accounts receivable and inventory less accounts payable having priority over the bank. The amount currently available, based on our Consolidated Statement of Financial Position at September 30, 2021, is $1,440,000. Loans outstanding under the facility bear interest at bank prime plus 0.5%. Substantially all our assets are pledged as collateral for the revolving bank loan facility. A balance of $654,748 was outstanding under the revolving bank loan facility at September 30, 2021.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $500,000 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, 2023. 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.

At September 30, 2021 we are in compliance with all of our covenants to the bank regarding the revolving bank loan facility and the term loan credit facility and do not anticipate difficulty maintaining this compliance during the forthcoming year. If we are not compliant with the covenants, and are unable to obtain a waiver from the bank, the loans will become payable on demand.

We have entered into interest rate swaps which convert our variable rate term loan interest to an effective 3.88% fixed rate until November 2022. If long-term market expectations are for interest rates on bankers acceptances to increase, we will reflect an unrealized gain on the interest rate swaps. If the expectations are for rates to decrease, we will reflect an unrealized loss. A 1% rise in the interest rate could create an unrealized gain of approximately $25,000. A 1% decrease could create an unrealized loss of approximately $50,000. As the loan is repaid and the remaining term of the loan decreases, the exposure is reduced. If the loan is repaid on schedule until November 2022, any unrealized gain or loss will be eliminated. At September 30, 2021 we had an unrealized loss of $20,511 on the interest rate swaps.

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 24, 2021
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	1,410,000
Shares available for future stock option grants	2,152,580

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, 2021 and 2020 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 2021	March 31 2021
		$	$
ASSETS			
Non-Current Assets			
Plant and equipment		8,847,460	9,007,166
Right-of-use assets		2,241,125	2,380,010
Deferred tax asset		17,683	12,594
Other non-current assets		15,195	19,993
		11,121,463	11,419,763
Current Assets			
Inventory		1,752,189	1,741,869
Trade and other receivables		1,458,834	805,018
Income tax recoverable		205	-
Prepaid expenses		155,990	117,015
Cash and cash equivalents		236,044	1,466,071
		3,603,262	4,129,973
Total Assets		14,724,725	15,549,736
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding	4	4,206,910	4,206,910
Stock options		98,700	98,700
Contributed surplus		294,089	294,089
Retained earnings	5	2,928,424	3,388,899
Equity attributable to common shareholders		7,528,123	7,988,598
Liabilities			
Non-Current Liabilities			
Term bank loans		654,748	1,011,892
Unrealized loss on interest rate swap		20,511	36,599
Lease liability		2,184,602	2,296,595
Deferred tax liability		1,983,967	1,979,650
		4,843,828	5,324,736
Current Liabilities			
Revolving bank loans		502,946	-
Term bank loans		714,288	714,288
Lease liability		222,343	217,423
Income tax payable		-	250,323
Trade and other payables		913,197	1,054,368
		2,352,774	2,236,402
Total Liabilities		7,196,602	7,561,138
Total Equity and Liabilities		14,724,725	15,549,736
Commitments			

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

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

	Notes	Three months ended September 30		Six months ended September 30	
		2021	2020	2021	2020
		$	$	$	$
Sales	4	2,942,297	3,268,300	5,650,788	5,223,641
Cost of sales	5	2,232,904	2,182,005	4,363,152	3,838,359
Gross Profit		709,393	1,086,295	1,287,636	1,385,282
Selling and distribution expenses	6	224,609	207,634	456,656	393,942
General and administrative expenses	7	206,908	186,230	417,715	367,416
Operating Profit (Loss)		277,876	692,431	413,265	623,924
Foreign exchange (gain) loss		(5,734)	3,065	(9,610)	4,459
Interest expense on bank loans		15,894	22,184	33,108	45,084
Interest expense on lease liability		27,181	29,556	54,661	59,359
Canada Emergency Wage Subsidy		-	(88,142)	-	(204,710)
Unrealized gain on interest rate swap		(7,121)	(8,827)	(16,088)	(10,855)
Profit Before Tax		247,656	734,595	351,194	730,587
Income tax expense		65,303	196,304	99,153	195,110
Profit and Comprehensive Income		182,353	538,291	252,041	535,477
Weighted average shares outstanding		35,625,800	35,515,800	35,625,800	35,515,800
Earnings per share, basic and fully diluted		0.005	0.015	0.007	0.015

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, 2020	4,138,710	-	294,089	1,458,218	5,891,017
Profit for the period	-	-	-	535,477	535,477
Balance as at September 30, 2020	4,138,710	-	294,089	1,993,695	6,426,494
Balance as at March 31, 2021	4,206,910	98,700	294,089	3,388,899	7,988,598
Dividends paid, $0.02 per share	-	-	-	(712,516)	(712,516)
Profit for the period	-	-	-	252,041	252,041
Balance as at September 30, 2021	4,206,910	98,700	294,089	2,928,424	7,528,123

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	
		2021	**2020**	**2021**	**2020**
		$	**$**	**$**	**$**
Operating Activities					
Profit		182,353	538,291	252,041	535,477
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation of plant and office equipment		187,017	167,338	375,872	333,642
- depreciation of right-of-use assets		69,822	69,822	138,885	138,885
- unrealized gain on interest rate swap		(7,121)	(8,827)	(16,088)	(10,855)
- interest expense on bank loans		15,894	22,184	33,108	45,084
- interest expense on lease liabilities		27,181	29,556	54,661	59,359
- income tax expense		65,303	196,304	99,153	195,110
- income tax paid		(75,096)	-	(350,451)	-
Cash flows from operating activities before changes in non-cash working capital		465,353	1,014,668	587,181	1,296,702
Decrease (increase) in					
- inventory		(48,071)	32,903	(10,320)	(518,654)
- trade and other receivables		(261,225)	(533,730)	(649,018)	317,345
- prepaid expenses		(78,432)	(309,599)	(39,199)	(291,501)
Increase (decrease) in					
- trade and other payables		(60,848)	230,903	(163,750)	(38,919)
Net Cash Flow from Operating Activities		16,777	435,145	(275,106)	764,973
Investing Activities					
Purchase of plant and equipment	8	(55,046)	(423,640)	(192,891)	(577,275)
Financing Activities					
Repayment of term bank loans		(178,572)	(178,572)	(357,144)	(357,144)
Interest paid on bank loans		(15,705)	(21,835)	(32,884)	(42,308)
Increase in revolving bank loans		295,995	150,186	502,946	150,186
Interest portion of lease payments		(27,378)	(29,738)	(55,359)	(59,268)
Principal portion of lease payments		(53,837)	(51,478)	(107,073)	(103,165)
Dividends paid		-	-	(712,516)	-
Net Cash Flow from Financing Activities		20,503	(131,437)	(762,030)	(411,699)
Net Decrease in Cash and Cash Equivalents		(17,766)	(119,932)	(1,230,027)	(224,001)
Cash and Cash Equivalents at the Beginning of the Period		253,810	289,982	1,466,071	394,051
Cash and Cash Equivalents at the End of the Period		236,044	170,050	236,044	170,050

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, 2021 were approved and authorized for issue by resolution of the directors on November 24, 2021.

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, 2022 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, 2021.

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, 2021 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, 2021.

3. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2021 the company incurred total compensation, comprising short-term employee benefits, of $226,710 (2020 – $200,489), to the directors and officers of the company and incurred $4,280 (2020 – $8,400) of legal fees in the normal course of operations with a firm in which a director of the company is associated.

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements
September 30, 2021 and 2020
Canadian Dollars
(unaudited)

	Three months ended September 30		Six months ended September 30	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
4. SALES				
Personal hygiene products	633,868	570,685	1,237,612	1,283,144
Clinical products	405,541	380,753	878,453	694,590
Wipes	378,979	1,943,332	858,623	2,670,327
Non-wipe air laid products	1,488,403	366,716	2,622,367	552,639
Other products	35,506	6,814	53,733	22,941
	2,942,297	3,268,300	5,650,788	5,223,641
5. COST OF SALES				
Materials	1,369,655	1,404,430	2,685,882	2,326,767
Production labour	270,732	257,943	517,614	447,063
Factory overhead labour	126,057	120,281	249,963	266,740
Variable overhead	151,430	116,603	293,432	229,974
Fixed overhead	65,199	52,289	115,297	108,640
Depreciation of plant equipment	184,757	165,385	371,523	329,734
Depreciation of right-of-use assets	65,074	65,074	129,441	129,441
	2,232,904	2,182,005	4,363,152	3,838,359
6. SELLING AND DISTRIBUTION EXPENSES				
Shipping	180,430	157,266	362,592	308,374
Wages, commissions and other employee benefits	32,014	38,932	56,194	57,907
Other	12,165	11,436	37,870	27,661
	224,609	207,634	456,656	393,942
7. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	32,049	31,794	61,527	58,223
Corporate promotion	2,167	2,585	3,092	3,460
Depreciation of right-of-use assets	4,748	4,748	9,444	9,444
Impairment (gain) loss on trade receivables	(341)	-	(805)	18,311
Professional fees	17,830	17,024	36,230	36,800
Salaries and other employee benefits	150,455	130,079	308,227	241,178
	206,908	186,230	417,715	367,416
8. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	22,590	11,245	23,275	46,729