WestBond Enterprises Corporation

Quarterly Report
December 31, 2021

Management Discussion and Analysis

Dated February 16, 2022 to Accompany the Interim Consolidated Financial Statements for the Three and Nine Month Periods Ended December 31, 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. Additional information on the Company is also available on our web site and on the SEDAR web site.

Discussion of Operations and Financial Condition

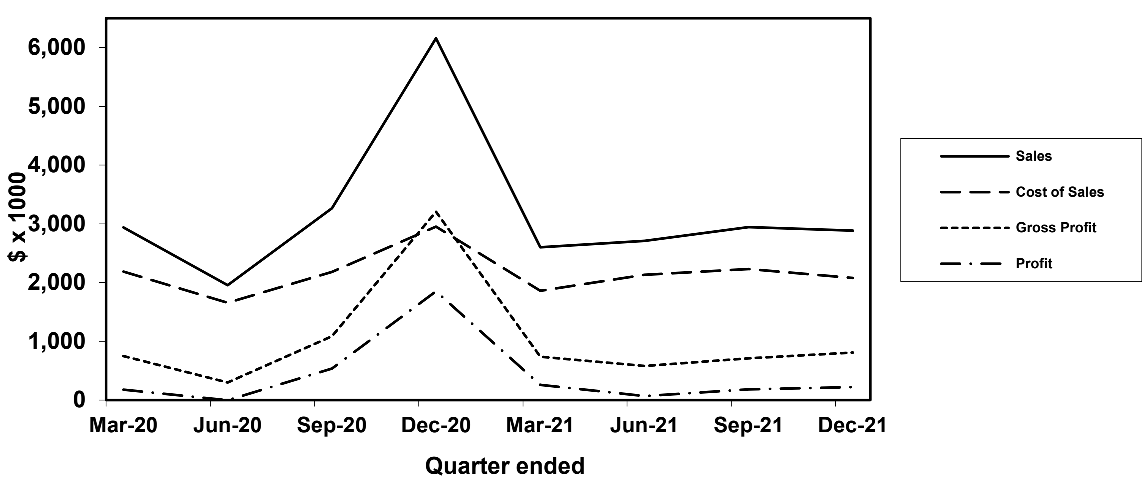
You should refer to our interim consolidated financial statements for the three and nine month periods ended December 31, 2021 and our consolidated financial statements for the year ended March 31, 2021 while you read this discussion. Those financial statements provide significant material information 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 $2,883,034 for the three months ended December 31, 2021, which is 53.2% lower than for the three months ended December 31, 2020 and 2% lower than for the three months ended September 30, 2021. We realized a profit of $218,549 ($0.006 per share) for the three months ended December 31, 2021, compared to a profit of $1,850,241 ($0.052 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 December 31, 2020 results were exceptional due to a government supply contract for wet-wipe products that was fulfilled and not renewed. In addition, sales and profit for the quarter ended December 31, 2021 were greatly impacted by severe weather in Southwestern British Columbia. This weather caused catastrophic damage to roads and railways. Closures to the transport routes resulted in unshipped orders totaling over $500,000. 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	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2020**	**Dec 31 2020**	**Sep 30 2020**	**Jun 30 2020**	**Mar 31 2020**
Sales	2,883	2,942	2,708	2,599	6,158	3,268	1,955	2,936
Cost of sales	2,076	2,233	2,130	1,861	2,952	2,182	1,656	2,186
Gross profit	807	709	578	738	3,206	1,086	299	750
Selling and distribution expenses	234	225	232	187	247	208	186	224
General and administrative expenses	235	207	211	165	333	186	181	176
Operating profit (loss)	338	277	135	386	2,626	692	(68)	350
Other expenses (income)	41	30	31	36	55	(42)	(64)	87
Profit (loss) before tax	297	247	104	350	2,571	734	(4)	263
Income tax expense (recovery)	78	65	34	92	721	196	(1)	84
Profit (net loss)	219	182	70	258	1,850	538	(3)	179
Earnings (loss) per share, basic and diluted - Cdn$	0.006	0.005	0.002	0.007	0.052	0.015	(0.000)	0.005
Dividends paid per share - Cdn$	-	-	0.02	0.02	-	-	-	0.0025
Sales - % change over previous quarter	-2.0	8.6	4.2	-57.8	88.4	67.1	-33.4	-1.4
Costs, expenses and net income - % of Sales								
Cost of sales	72.0	75.9	78.6	71.6	47.9	66.8	84.7	74.4
Selling and distribution expenses	8.1	7.6	8.6	7.2	4.0	6.4	9.5	7.6
General and administrative expenses	8.2	7.0	7.8	6.3	5.4	5.7	9.3	6.0
Other expenses (income)	1.4	1.0	1.2	1.4	0.9	(1.3)	(3.3)	3.0
Income tax expense (recovery)	2.7	2.3	1.2	3.6	11.8	6.0	(0.1)	2.9
Net profit (loss)	7.6	6.2	2.6	9.9	30.0	16.5	(0.1)	6.1



Sales

Sales for the three months ended December 31, 2021 were 53.2% lower than for the same period last year and 2% lower than the previous quarter, ended September 30, 2021. The December 31, 2020 sales were exceptional due to a government supply contract for wet-wipe products that was not renewed. 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 sales growth in all health-care and janitorial markets to increase accordingly.

Floods and mud slides caused by unprecedented rainstorms during November 2021 in southwestern British Columbia damaged and closed the major road and rail routes connecting Greater Vancouver to the rest of Canada for several weeks. This reduced our ability to ship to Canadian customers outside the Greater Vancouver area. It was estimated that sales exceeding $500,000 remained unshipped because of the transportation closures. Shipments to US and local customers were not affected.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2021 $	2020 $		2021 $	2020 $	
Personal hygiene	617,571	478,008	29.2%	1,855,183	1,761,152	5.3%
Clinical	431,499	449,713	-4.1%	1,309,952	1,144,303	14.5%
Wipes	495,537	4,578,868	-89.2%	1,354,160	7,249,195	-81.3%
Non-wipe air laid	1,325,898	642,192	106.5%	3,948,265	1,194,831	230.5%
Other	12,529	8,865	41.3%	66,262	31,806	108.3%
	2,883,034	6,157,646	-53.2%	8,533,822	11,381,287	-25.0%

Cost of Sales

The government supply contract for wet-wipes in 2020 increased our margins significantly, causing cost of sales, as a percent of sales, to be lower than normal. In 2021, cost of sales, as a percent of sales has returned to our normal rates. Materials costs, as a percentage of sales, is lower in 2021 than normal as non-wipe air laid has higher margins 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 December 31 2021 % of sales	2020 % of sales	Nine months ended December 31 2021 % of sales	2020 % of sales
Materials	41.8%	31.2%	45.6%	37.3%
Production labour	9.6%	6.6%	9.3%	7.5%
Factory overhead labour	3.8%	2.9%	4.2%	3.9%
Variable overhead	6.0%	2.2%	5.5%	3.2%
Fixed overhead	2.3%	1.0%	2.1%	1.5%
Depreciation of plant equipment	6.2%	2.9%	6.5%	4.5%
Depreciation of right-of-use assets	2.3%	1.1%	2.3%	1.7%
Gross Profit	28.0%	50.1%	22.8%	59.6%

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended December 31, 2021 were 8.1% of sales, compared to 4.0% for the three months ended December 31, 2020. Our normal Selling and distribution expenses range from 7.5% to 8.5%. Shipping costs were at the higher end in 2021 due to higher shipping rates. 2020 shipping costs were low as the government supply contract was locally-based.

General and Administrative Expenses

Administrative and office expenses were higher in the three months ended December 31, 2021 than in 2020 from increased salaries and other employee benefits for administrative staff, both from increased staff and increased pay rates. Salaries and other employee benefits in 2020 include a stock option expense of $84,000.

During the nine months ended December 31, 2021 the company incurred total short-term employee benefits of $362,143 (2020 – $359,961) to its key management personnel, comprising the directors and officers of the company, and incurred $6,176 (2020 – $16,882) 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 $6,795 loss during the three months ended December 31, 2021, compared with a $14,210 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 $8,384 to reflect the market value fluctuation of our interest rate swap during the three months ended December 31, 2021.

Liquidity, Financial Position and Capital Resources

Our operating cash flows, before accounting for fluctuations in non-cash working capital were $1,094,273 during the nine months ended December 31, 2021, an average of $121,586 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 $1,436,354 at December 31, 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 and suspended it for the September and December 2021 quarters to ensure sufficient funds were available for investment in our wet-wipe production equipment. We will resume our quarterly dividend at $0.005 per share. The next dividend is payable on March 25, 2022 to shareholders of record on March 7, 2022. 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 December 31, 2021, is $1,261,000. 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 $477,361 was outstanding under the revolving bank loan facility at December 31, 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 December 31, 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 market expectations are for future 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. 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 December 31, 2021 we had an unrealized loss of $12,127 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.

	February 16, 2022
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 nine month periods ended December 31, 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	December 31 2021	March 31 2021
		$	$
ASSETS			
Non-Current Assets			
Plant and equipment		8,710,118	9,007,166
Right-of-use assets		2,171,303	2,380,010
Deferred tax asset		20,891	12,594
Other non-current assets		12,546	19,993
		10,914,858	11,419,763
Current Assets			
Inventory		2,040,061	1,741,869
Trade and other receivables		973,683	805,018
Income tax recoverable		2,396	-
Prepaid expenses		80,031	117,015
Cash and cash equivalents		740,671	1,466,071
		3,836,842	4,129,973
Total Assets		14,751,700	15,549,736
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		4,206,910	4,206,910
Stock options		98,700	98,700
Contributed surplus		294,089	294,089
Retained earnings	3	3,146,973	3,388,899
Equity attributable to common shareholders		7,746,672	7,988,598
Liabilities			
Non-Current Liabilities			
Term bank loans		476,176	1,011,892
Unrealized loss on interest rate swap		12,127	36,599
Lease liability		2,123,086	2,296,595
Deferred tax liability		1,993,151	1,979,650
		4,604,540	5,324,736
Current Liabilities			
Revolving bank loans		477,361	-
Term bank loans		714,288	714,288
Lease liability		229,126	217,423
Income tax payable		-	250,323
Trade and other payables		979,713	1,054,368
		2,400,488	2,236,402
Total Liabilities		7,005,028	7,561,138
Total Equity and Liabilities		14,751,700	15,549,736

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 December 31		Nine months ended December 31	
		2021	2020	2021	2020
		$	$	$	$
Sales	5	2,883,034	6,157,646	8,533,822	11,381,287
Cost of sales	6	2,076,163	2,951,968	6,439,315	6,790,327
Gross Profit		806,871	3,205,678	2,094,507	4,590,960
Selling and distribution expenses	7	233,708	246,832	690,364	640,774
General and administrative expenses	8	235,222	332,934	652,937	700,350
Operating Profit (Loss)		337,941	2,625,912	751,206	3,249,836
Foreign exchange (gain) loss		6,795	14,210	(2,815)	18,669
Interest expense on bank loans		15,530	19,888	48,638	64,972
Interest expense on lease liability		26,571	28,972	81,232	88,331
Canada Emergency Wage Subsidy		-	-	-	(204,710)
Unrealized gain on interest rate swap		(8,384)	(8,597)	(24,472)	(19,452)
Profit Before Tax		297,429	2,571,439	648,623	3,302,026
Income tax expense		78,880	721,198	178,033	916,308
Profit and Comprehensive Income		218,549	1,850,241	470,590	2,385,718
Weighted average shares outstanding		35,625,800	35,515,800	35,625,800	35,515,800
Earnings per share, basic and fully diluted		0.006	0.052	0.013	0.067

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	-	-	-	2,385,718	2,385,718
Balance as at December 31, 2020	4,138,710	-	294,089	3,843,936	8,276,735
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	-	-	-	470,590	470,590
Balance as at December 31, 2021	4,206,910	98,700	294,089	3,146,973	7,746,672

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

	Notes	Three months ended December 31		Nine months ended December 31	
		2021	**2020**	**2021**	**2020**
		$	**$**	**$**	**$**
Operating Activities					
Profit		218,549	1,850,241	470,590	2,385,718
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation of plant and office equipment		181,220	181,135	557,092	514,777
- depreciation of right-of-use assets		69,822	69,822	208,707	208,707
- grant of stock options		-	106,400	-	106,400
- unrealized gain on interest rate swap		(8,384)	(8,597)	(24,472)	(19,452)
- interest expense on bank loans		15,530	19,888	48,638	64,972
- interest expense on lease liabilities		26,571	28,972	81,232	88,331
- income tax expense		78,880	721,198	178,033	916,308
- income tax paid		(75,096)	-	(425,547)	-
Cash flows from operating activities before changes in non-cash working capital		507,092	2,969,059	1,094,273	4,265,761
Decrease (increase) in					
- inventory		(287,872)	(91,806)	(298,192)	(610,460)
- trade and other receivables		487,800	(1,283,053)	(161,218)	(965,708)
- prepaid expenses		75,720	262,367	36,521	(29,134)
- trade and other payables		91,976	(80,275)	(71,774)	(119,194)
Net Cash Flow from Operating Activities		874,716	1,776,292	599,610	2,541,265
Investing Activities					
Purchase of plant and equipment	9	(69,424)	(1,208,948)	(262,315)	(1,786,223)
Financing Activities					
Repayment of term bank loans		(178,572)	(178,572)	(535,716)	(535,716)
Interest paid on bank loans		(15,291)	(19,512)	(48,175)	(61,820)
Increase in revolving bank loans		(25,585)	(150,186)	477,361	-
Interest portion of lease payments		(26,484)	(29,648)	(81,843)	(88,916)
Principal portion of lease payments		(54,733)	(51,568)	(161,806)	(154,733)
Dividends paid		-	-	(712,516)	-
Net Cash Flow from Financing Activities		(300,665)	(429,486)	(1,062,695)	(841,185)
Net Decrease in Cash and Cash Equivalents		504,627	137,858	(725,400)	(86,143)
Cash and Cash Equivalents at the Beginning of the Period		236,044	170,050	1,466,071	394,051
Cash and Cash Equivalents at the End of the Period		740,671	307,908	740,671	307,908

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 nine month periods ended December 31, 2021 were approved and authorized for issue by resolution of the directors on February 16, 2022.

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. DIVIDEND

Subsequent to December 31, 2021, the company declared a dividend of $0.005 per share payable on March 25, 2022 to shareholders of record on March 7, 2022.

4. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2021 the company incurred total compensation, comprising short-term employee benefits, of $362,143 (2020 – $359,961), to the directors and officers of the company and incurred $6,176 (2020 – $16,882) of legal fees in the normal course of operations with a firm in which a director of the company is associated.

	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
	$	$	$	$
5. SALES				
Personal hygiene products	617,571	478,008	1,855,183	1,761,152
Clinical products	431,499	449,713	1,309,952	1,144,303
Wipes	495,537	4,578,868	1,354,160	7,249,195
Non-wipe air laid products	1,325,898	642,192	3,948,265	1,194,831
Other products	12,529	8,865	66,262	31,806
	2,883,034	6,157,646	8,533,822	11,381,287
6. COST OF SALES				
Materials	1,206,237	1,918,237	3,892,119	4,245,004
Production labour	276,555	409,402	794,169	856,465
Factory overhead labour	109,185	180,401	359,148	447,141
Variable overhead	174,311	137,145	467,743	367,119
Fixed overhead	65,748	62,609	181,045	171,249
Depreciation of plant equipment	179,053	179,100	550,576	508,834
Depreciation of right-of-use assets	65,074	65,074	194,515	194,515
	2,076,163	2,951,968	6,439,315	6,790,327
7. SELLING AND DISTRIBUTION EXPENSES				
Shipping	200,301	201,071	562,893	509,445
Wages, commissions and other employee benefits	28,477	37,169	84,671	95,076
Other	4,930	8,592	42,800	36,253
	233,708	246,832	690,364	640,774
8. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	36,928	36,551	98,455	94,774
Corporate promotion	2,498	2,996	5,590	6,456
Depreciation of right-of-use assets	4,748	4,748	14,192	14,192
Impairment (gain) loss on trade receivables	(376)	-	(1,181)	18,311
Professional fees	15,696	23,132	51,926	59,932
Salaries and other employee benefits	175,728	265,507	483,955	506,685
	235,222	332,934	652,937	700,350
9. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	(25,546)	19,543	(2,271)	66,272