WestBond Enterprises Corporation

Quarterly Report
June 30, 2022

Management Discussion and Analysis

Dated August 18, 2022 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2022

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 2022 Annual Report. A pdf version of the 2022 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

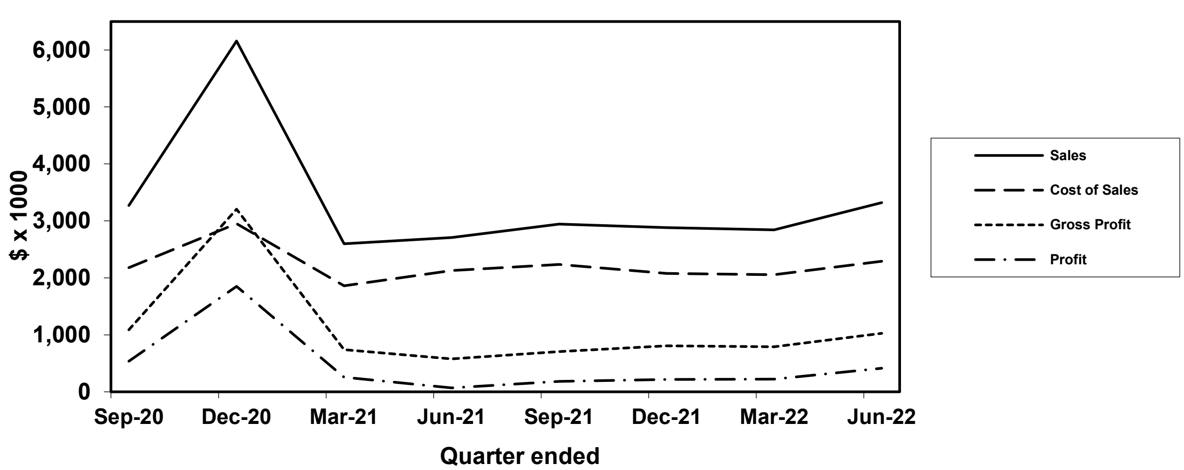
You should refer to our interim consolidated financial statements for the three month period ended June 30, 2022 and our consolidated financial statements for the year ended March 31, 2022 while you read this discussion. Those financial statements provide significant material information that is not 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 2022 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 17, 2022, the date of the Management Discussion and Analysis in the 2022 Annual Report, is not repeated here.

Sales were $3,321,418 for the three months ended June 30, 2022, which is 22.6% higher than for the three months ended June 30, 2021 and 16.8% higher than for the three months ended March 31, 2022. We realized a profit of $415,352 ($0.012 per share) for the three months ended June 30, 2022, compared to a profit of $69,688 ($0.002 per share) for the same period last year. This represents almost a 500% increase. The increase in both sales and profit is due to the increased demand for our dry-wipe products, restaurant napkins, and air laid parent roll sales, offset by reduced shipments for away-from-home personal hygiene products caused by the persistent labour shortage for factory workers. 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	**Jun 30 2022**	**Mar 31 2022**	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	**Dec 31 2020**	**Sep 30 2020**
Sales	3,321	2,845	2,883	2,942	2,708	2,599	6,158	3,268
Cost of sales	2,293	2,056	2,076	2,233	2,130	1,861	2,952	2,182
Gross profit	1,028	789	807	709	578	738	3,206	1,086
Selling and distribution expenses	255	236	234	225	232	187	247	208
General and administrative expenses	196	203	235	207	211	165	333	186
Operating profit (loss)	578	350	338	277	135	386	2,626	692
Other expenses (income)	11	39	41	30	31	36	55	(42)
Profit (loss) before tax	567	311	297	247	104	350	2,571	734
Income tax expense (recovery)	152	88	78	65	34	92	721	196
Profit (net loss)	415	223	219	182	70	258	1,850	538
Earnings (loss) per share, basic and diluted - Cdn$	0.012	0.006	0.006	0.005	0.002	0.007	0.052	0.015
Dividends paid per share - Cdn$	0.005	0.005	-	-	0.02	0.02	-	-
Sales - % change over previous quarter	16.8	-1.3	-2.0	8.6	4.2	-57.8	88.4	67.1
Costs, expenses and net income - % of Sales								
Cost of sales	69.0	72.3	72.0	75.9	78.6	71.6	47.9	66.8
Selling and distribution expenses	7.7	8.3	8.1	7.6	8.6	7.2	4.0	6.4
General and administrative expenses	5.9	7.1	8.2	7.0	7.8	6.3	5.4	5.7
Other expenses (income)	0.3	1.4	1.4	1.0	1.2	1.4	0.9	(1.3)
Income tax expense (recovery)	4.6	3.1	2.7	2.3	1.2	3.6	11.8	6.0
Net profit (loss)	12.5	7.8	7.6	6.2	2.6	9.9	30.0	16.5



Sales

Sales for the three months ended June 30, 2022 were 22.6% higher than for the same period last year and 16.8% higher than the previous quarter, ended March 31, 2022. 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. Though the sales for our personal hygiene products has fallen when compared to the quarter ending June 30, 2021, the demand has increased and we are trying to keep up with this demand by hiring additional factory workers. Clinical products demand has fallen as clinics and doctors' offices have reduced in-person patient visits, though demand for these products is starting to rebound. Dry wipes demand has been steady in the past four quarters. 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 and air laid parent roll sales, which primarily end up in restaurants, rose significantly in the quarter ending June 30, 2021. The demand since then has been steady and is the highest in sales in the quarter ending June 30, 2022. In the quarter ending June 30, 2022, we continue to have supply-chain issues and quality labour challenges, which limits our ability to meet the high demand for our products. With the improving business environment, and our ability to hire additional workers, we should mitigate these challenges.

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 do 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.

Sales	Three months ended June 30		Change over last year
Product Line	2022 $	2021 $	
Personal hygiene	469,140	603,744	-22.3%
Clinical	386,797	472,912	-18.2%
Wipes	484,156	479,644	0.9%
Non-wipe air laid	1,975,642	1,133,964	74.2%
Other	5,683	18,227	-68.8%
	3,321,418	2,708,491	22.6%

Cost of Sales

Materials costs, as a percentage of sales, is lower in 2022 than in 2021. This is in part due to the lower inventory costs that we could negotiate with our suppliers. Production labour dropped due to improved efficiencies, offset by a general wage rate increase for most production employees. Factory overhead labour decreased due to the retirement of the plant manager, whose duties were spread amongst other personnel. Fixed overhead is higher in 2022 due to a general increase in costs due to inflation. Depreciation decreased in 2022 as the book value of the assets decreased, as a normal accounting process.

Cost of Sales	Three months ended June 30	
	2022 % of sales	2021 % of sales
Materials	42.9%	48.6%
Production labour	7.3%	9.1%
Factory overhead labour	3.6%	4.6%
Variable overhead	5.2%	5.2%
Fixed overhead	2.2%	1.9%
Depreciation of plant equipment	6.0%	6.9%
Depreciation of right-of-use assets	1.9%	2.4%
Gross Profit	31.0%	21.3%

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended June 30, 2022 were 7.7% of sales, compared to 8.6% for the three months ended June 30, 2021. The percentage cost in 2021 was higher due to the ViroBan Plus product development costs. The shipping costs are significantly higher in the current quarter.

General and Administrative Expenses

Administrative and office expenses were lower in the three months ended June 30, 2022 than in 2021 due to a staff member on maternity leave, resulting in lower payroll expense and lower office supplies/services costs, offset by higher professional fees.

During the three months ended June 30, 2022 the company incurred total short-term employee benefits of $102,600 (2021 – $116,127) to its key management personnel, comprising the directors and officers of the company, and incurred $3,988 (2021 – $250) 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 $19,388 gain during the three months ended June 30, 2022, compared with a $3,876 gain in the same period last year. Interest expense on bank loans and lease liabilities is lower in 2022 than 2021 because of lower principal balances. We recognized an unrealized gain of $4,983 to reflect the market value fluctuation of our interest rate swap during the three months ended June 30, 2022.

Liquidity, Financial Position and Capital Resources

Our operating cash flows, before accounting for fluctuations in non-cash working capital were $846,004 during the three months ended June 30, 2022, an average of $282,001 per month, compared to an average of $134,535 per month during the year ended March 31, 2022. The increase is from increased sales. We had working capital of $1,757,711 at June 30, 2022, compared to $1,591,702 at March 31, 2022. The change is due to positive operating cash flows and inventory, offset by decreased receivables, increased 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 2022 at the rate of $0.005 per share. We intend to spend around $300,000 on production equipment additions and improvements 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 June 30, 2022, is $1,322,000. Loans outstanding under the facility bear interest at bank prime plus 0.5%. Substantially all of our assets are pledged as collateral for the revolving bank loan facility. Nil ($0) was outstanding under the revolving bank loan facility at June 30, 2022.

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 June 30, 2022 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 June 30, 2022 we had an unrealized gain of $1,069 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.

	August 18, 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 month period ended June 30, 2022 and 2021 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	June 30 2022	March 31 2022
		$	$
ASSETS			
Non-Current Assets			
Plant and equipment		8,439,811	8,593,547
Right-of-use assets		2,033,937	2,102,999
Deferred tax asset		24,110	19,118
Other non-current assets		7,393	9,786
		10,505,251	10,725,450
Current Assets			
Inventory		1,965,275	1,922,648
Trade and other receivables		1,080,212	1,111,389
Income tax recoverable		-	164,256
Prepaid expenses		35,288	70,983
Unrealized gain on interest rate swap		1,069	-
Cash and cash equivalents		773,593	268,070
		3,855,437	3,537,346
Total Assets		14,360,688	14,262,796
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	3,428,697	3,191,474
Equity attributable to common shareholders		8,028,396	7,791,173
Liabilities			
Non-Current Liabilities			
Term bank loans		119,032	297,604
Unrealized loss on interest rate swap		-	3,914
Lease liability		1,993,635	2,058,472
Deferred tax liability		2,121,900	2,165,989
		4,234,567	4,525,979
Current Liabilities			
Revolving bank loans		-	86,537
Term bank loans		714,288	714,288
Lease liability		247,278	238,123
Income tax payable		15,566	-
Trade and other payables		1,120,593	906,696
		2,097,725	1,945,644
Total Liabilities		6,332,292	6,471,623
Total Equity and Liabilities		14,360,688	14,262,796

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

	Notes	Three months ended June 30	
		2022	2021
		$	$
Sales	5	3,321,418	2,708,491
Cost of sales	6	2,292,933	2,130,248
Gross Profit		1,028,485	578,243
Selling and distribution expenses	7	254,795	232,047
General and administrative expenses	8	195,520	210,807
Operating Profit (Loss)		578,170	135,389
Foreign exchange (gain) loss		(19,388)	(3,876)
Interest expense on bank loans		9,888	17,214
Interest expense on lease liability		25,051	27,480
Unrealized gain on interest rate swap		(4,983)	(8,967)
Profit Before Tax		567,602	103,538
Income tax expense		152,250	33,850
Profit and Comprehensive Income		415,352	69,688
Weighted average shares outstanding		35,625,800	35,625,800
Earnings per share, basic and fully diluted		0.012	0.002

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, 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	-	-	-	69,688	69,688
Balance as at June 30, 2021	4,206,910	98,700	294,089	2,746,071	7,345,770
Balance as at March 31, 2022	4,206,910	98,700	294,089	3,191,474	7,791,173
Dividends paid, $0.005 per share	-	-	-	(178,129)	(178,129)
Profit for the period	-	-	-	415,352	415,352
Balance as at June 30, 2022	4,206,910	98,700	294,089	3,428,697	8,028,396

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

	Notes	Three months ended June 30 2022	Three months ended June 30 2021
		$	$
Operating Activities			
Profit		415,352	69,688
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation of plant and office equipment		200,894	188,855
- depreciation of right-of-use assets		69,062	69,063
- unrealized gain on interest rate swap		(4,983)	(8,967)
- interest expense on bank loans		9,888	17,214
- interest expense on lease liabilities		25,051	27,480
- income tax expense		152,250	33,850
- income tax paid		(21,510)	(275,355)
Cash flows from operating activities before changes in non-cash working capital		846,004	121,828
Decrease (increase) in			
- inventory		(42,627)	37,751
- trade and other receivables		33,570	(387,793)
- prepaid expenses		35,535	39,233
- trade and other payables		209,112	(102,902)
Net Cash Flow from Operating Activities		1,081,594	(291,883)
Investing Activities			
Purchase of plant and equipment	9	(41,067)	(137,845)
Net Cash Flow from Investing Activities		(41,067)	(137,845)
Financing Activities			
Repayment of term bank loans		(178,572)	(178,572)
Interest paid on bank loans		(9,729)	(17,179)
Increase in revolving bank loans		(86,537)	206,951
Interest portion of lease payments		(26,355)	(27,981)
Principal portion of lease payments		(55,682)	(53,236)
Exercise of stock options		-	-
Dividends paid		(178,129)	(712,516)
Net Cash Flow from Financing Activities		(535,004)	(782,533)
Net Increase (Decrease) in Cash and Cash Equivalents		505,523	(1,212,261)
Cash and Cash Equivalents at the Beginning of the Period		268,070	1,466,071
Cash and Cash Equivalents at the End of the Period		773,593	253,810

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 month period ended June 30, 2022 were approved and authorized for issue by resolution of the directors on August 18, 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, 2023 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, 2022.

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, 2022 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, 2022.

3. DIVIDEND

Subsequent to March 31, 2022, the company declared a dividend of $0.005 per share payable on September 23, 2022 to shareholders of record on September 5, 2022.

4. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2022 the company incurred total compensation, comprising short-term employee benefits of $102,600 (2021 – $116,127), to the directors and officers of the company and incurred $3,988 (2021 – $250) 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
June 30, 2022 and 2021
Canadian Dollars
(unaudited)

	Three months ended June 30	
	2022	**2021**
	$	**$**
5. SALES		
Personal hygiene products	469,140	603,744
Clinical products	386,797	472,912
Wipes	484,156	479,644
Non-wipe air laid products	1,975,642	1,133,964
Other products	5,683	18,227
	3,321,418	2,708,491
6. COST OF SALES		
Materials	1,423,445	1,316,227
Production labour	241,571	246,882
Factory overhead labour	119,970	123,906
Variable overhead	172,150	142,002
Fixed overhead	72,683	50,098
Depreciation of plant equipment	198,748	186,766
Depreciation of right-of-use assets	64,366	64,367
	2,292,933	2,130,248
7. SELLING AND DISTRIBUTION EXPENSES		
Shipping	221,043	182,162
Wages, commissions and other employee benefits	29,897	24,180
Other	3,855	25,705
	254,795	232,047
8. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	33,257	29,478
Corporate promotion	1,802	925
Depreciation of right-of-use assets	4,696	4,696
Impairment (gain) loss on trade receivables	(256)	(464)
Professional fees	23,106	18,400
Salaries and other employee benefits	132,915	157,772
	195,520	210,807
9. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to purchase of plant and equipment	6,091	685