



WestBond Enterprises Corporation

Quarterly Report June 30, 2024

Management Discussion and Analysis

Dated August 28, 2024 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2024

Caution Regarding Forward Looking Statements – There are many risk factors and uncertainties that may affect the company’s actual results, performance, achievements, or developments. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the company cannot assure investors that actual results, performance, achievements, or developments that the company anticipates will be realized. Forward-looking statements are based on the beliefs of management and reflect management’s current plans, expectations, estimates, projections, beliefs and opinions and the company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A.

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 2024 Annual Report. A pdf version of the 2024 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, 2024 and our consolidated financial statements for the year ended March 31, 2024 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 2024 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 20, 2024, the date of the Management Discussion and Analysis in the 2024 Annual Report, is not repeated here.

Sales were \$2,267,376 for the three months ended June 30, 2024, which is 19.6% higher than for the three months ended March 31, 2024. We realized a profit of \$12,566 (\$0.000 per share) for the three months ended June 30, 2024 compared to a loss of \$69,374 (-\$0.002 per share) for the same period last year, and a loss of \$164,544 (-\$0.005 per share) for the quarter ended March 31, 2024. The increase in profit compared to last quarter ending March 31, 2024 is a result of an increase in sales in all product categories, off-set by a slight decrease in sales in personal hygiene category. Additionally, the direct cost of sales decreased overall, resulting in a 2.5% increase in gross profit. The table and graph on the next page show the trends over the past eight quarters.

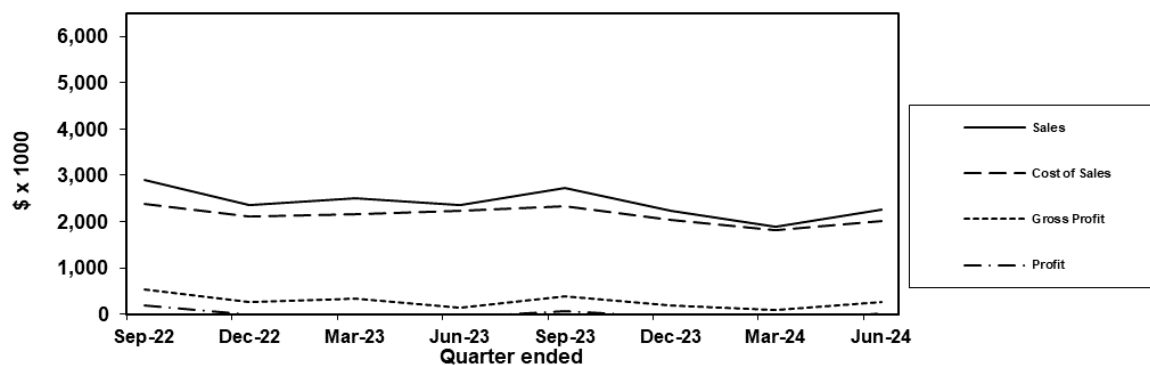
Summary of Quarterly Results

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.

Cdn\$ x 1,000	Quarters ended							
	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022
Sales	2,267	1,896	2,239	2,718	2,367	2,510	2,360	2,898
Cost of Sales	2,013	1,817	2,041	2,322	2,237	2,166	2,100	2,372
Gross Profit	254	79	198	396	130	344	260	526
Selling and distribution expenses	41	30	35	46	44	39	40	35
General and administrative expenses	161	242	204	201	149	269	193	202
Operating profit	52	(193)	(41)	149	(63)	36	27	289
Other expenses	34	48	29	46	31	2	45	37
Profit before Tax	18	(241)	(70)	103	(94)	34	(18)	252
Income Tax Expense	5	(76)	(18)	28	(25)	40	1	69
Profit	13	(165)	(52)	75	(69)	(6)	(19)	183
Earnings per share, basic and diluted-Cdn\$	0.000	(0.005)	(0.001)	0.002	(0.002)	0.000	(0.001)	0.005
Dividends paid per share - Cdn\$	-	-	-	-	-	-	-	0.005
Sales % change over previous quarter	19.60	(15.30)	(17.60)	14.80	(5.70)	6.40	(18.60)	(12.70)

Costs, expenses and net income - % of Sales

Cost of Sales	88.8	95.8	91.2	85.4	94.5	86.3	89.1	81.8
Selling and distribution expenses	1.8	1.6	1.6	1.7	1.9	1.5	1.7	1.2
General and administrative expenses	7.1	12.8	9.1	7.4	6.3	10.7	8.2	7.0
Other expenses	1.5	2.5	1.3	1.7	1.3	0.1	1.9	1.3
Income Tax Expense	0.2	(4.0)	(0.8)	1.0	(1.1)	1.6	0.0	2.4
Net profit	0.6	(8.7)	(2.3)	2.8	(2.9)	(0.2)	(0.8)	6.3



Sales

Sales for the three months ended June 30, 2024 were 4.2% lower than for the same period last year and 19.6% higher than the previous quarter, ended March 31, 2024. The increase in profit compared to last quarter ending March 31, 2024 is a result of an increase in sales in all product categories, off-set by a slight decrease in sales in personal hygiene category. Additionally, the direct cost of sales as a percentage of sales, decreased overall, resulting in a 2.5% increase in gross profit. With improved staffing, we will be able to reduce our backlog of unshipped orders.

We are investing in faster, more efficient new equipment to add to our diverse line of products. This new equipment will add capacity to support our new markets.

We are now supplying airlaid napkins to a major, high profile national restaurant chain with a customized product. Additionally, major American restaurant supply distributors have placed trial orders for our airlaid napkins. Demand for our products remains high and we are launching a rebranding of these products to aid in our marketing efforts.

Sales	Three Months ended		Change over last year
	June 30		
	2024	2023	
<u>Product Line</u>	\$	\$	
Personal Hygiene	575,311	690,030	-16.6%
Clinical	333,664	501,033	-33.4%
Wipes	561,882	497,323	13.0%
Napkins & Parent rolls (Air laid)	794,384	618,424	28.5%
Other	2,135	60,028	-96.4%
	<u>2,267,375</u>	<u>2,366,838</u>	<u>-4.2%</u>

Cost of Sales

Materials are the most significant component of cost of sales. Bulk paper and pulp are our main materials cost. All of our products have a high materials component and a low labour component. Materials costs were lower in the quarter ended June 30, 2024 than in the quarter ended June 30, 2023 as a percentage of sales. Compared to the same quarter in 2023, production labour, variable overhead and shipping costs decreased because of intermittent factory closures and lower cost of maintenance parts. The decrease in factory overhead labour cost is off-set by an increase in payments to a consultant for overseeing the production plant and assisting with sales and marketing. An increase in factory rent increased the fixed overhead by 0.7%. Depreciation increased in 2024 as more assets were put into service.

Cost of Sales	Three Months ended June 30	
	% of Sales	
	2024	2023
Materials	44.8%	48.2%
Production labour	9.3%	11.2%
Factory overhead labour	5.3%	5.3%
Variable overhead	4.3%	4.8%
Fixed overhead	4.1%	3.4%
Shipping	7.7%	8.8%
Depreciation of plant equipment	10.5%	10.1%
Depreciation of right of use assets	2.8%	2.7%
Gross Profit	<u>11.2%</u>	<u>5.5%</u>

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended June 30, 2024 were 1.8% of sales, compared to 1.9% for the three months ended June 30, 2023. The percentage cost in 2024 was lower due to a decrease in sales commissions, and shipping wages and benefits.

General and Administrative Expenses

Administrative and office expenses are higher in the three months ended June 30, 2024 than in the quarter ended June 30 2023, mainly due to the adjustments to the expected credit loss and bad debts.

During the three months ended June 30, 2024 the company incurred total short-term employee benefits of \$92,249 (2023 – \$93,293) to its key management personnel, comprising the directors and officers of the company, and incurred \$3,300 (2023 – \$685) 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 \$3,830 loss during the three months ended June 30, 2024, compared with a \$1,525 gain in the same period last year. Compared to the previous quarter ending March 31, 2024, interest expense on bank loan is lower because of a lower balance on the revolving bank loan. Interest on lease liabilities is lower in 2024 than 2023 because of a lower principal balance.

Liquidity, Financial Position and Capital Resources

Our operating cash flows, before accounting for fluctuations in non-cash working capital were \$337,717 during the three months ended June 30, 2024, an average of \$112,572 per month, compared to an average of \$53,574 per month during the year ended March 31, 2024. The increase is a result of lower costs and profit for the period. We had working capital of \$1,949,096 at June 30, 2024, compared to \$1,805,725 at March 31, 2024. The change is mainly due to increased trade and other receivables, prepaid expenses and trade and other payables, offset by decreased inventory, cash and cash equivalents, and bank loan.

We intend to spend around \$200,000 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, 2024, is \$1,441,368. 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. \$525,000 was outstanding under the revolving bank loan facility at June 30, 2024.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as \$400,000. Accounts payable can also fluctuate by as much as \$400,000. 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 had a term loan credit facility which was used for the purchase of our binder bonded air laid paper making machine. The final payment of the balance of principal was made on August 31, 2023. This loan is now fully repaid.

At June 30, 2024 we are in compliance with all of our covenants to the bank regarding the revolving bank loan 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 revolving bank loan will become payable on demand.

Share Capital

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

	<u>August 28, 2024</u>
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	940,000
Shares available for future stock option grants	2,622,580

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

Changes in accounting policies including first-time adoption

The company notes that there is a change in the classification of "Shipping" costs in our financial reports starting in quarter ended June 30, 2023. Upon our external auditor's recommendation, we have added shipping costs to the Cost of sales category and removed it from Selling and distribution expenses category. For equitable comparison in this report, we have adjusted all numbers reported in previous periods to reflect this change.

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, 2024 and 2023 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)

	June 30	March 31
	2024	2024
	\$	\$
ASSETS		
Non-Current Assets		
Plant and equipment	7,410,721	7,598,240
Right-of-use assets	1,479,158	1,548,220
Deferred tax asset	67,821	63,242
	8,957,700	9,209,702
Current Assets		
Inventory	2,103,237	2,138,782
Trade and other receivables	1,399,670	1,095,619
Income tax recoverable	-	42,903
Prepaid expenses	190,141	96,164
Cash and cash equivalents	45,085	111,001
	3,738,132	3,484,469
Total Assets	12,695,832	12,694,171
EQUITY AND LIABILITIES		
Equity		
Common shares issued and outstanding	4,206,910	4,206,910
Stock options	65,800	65,800
Contributed surplus	326,989	326,989
Retained earnings	3,033,520	3,020,954
Equity attributable to common shareholders	7,633,219	7,620,653
Liabilities		
Non-Current Liabilities		
Lease liability	1,438,194	1,512,412
Deferred tax liability	1,835,383	1,882,362
	3,273,577	3,394,774
Current Liabilities		
Revolving bank loans	525,000	670,000
Lease liability	288,254	281,845
Income tax payable	13,927	-
Trade and other payables	961,855	726,899
	1,789,036	1,678,744
Total Liabilities	5,062,613	5,073,518
Total Equity and Liabilities	12,695,832	12,694,171

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	
		June 30	
		2024	2023
		\$	\$
Sales	5	2,267,376	2,366,838
Cost of sales	6	2,012,598	2,237,243
Gross Profit		254,778	129,595
Selling and distribution expenses	7	41,173	44,396
General and administrative expenses	8	161,465	148,815
Operating Profit (Loss)		52,140	(63,616)
Foreign exchange (gain) loss		3,830	(1,525)
Interest expense-bank loans		11,080	9,911
Interest expense on lease liability		19,392	22,343
Profit (Loss) Before Tax		17,838	(94,345)
Income tax expense (recovery)		5,272	(24,971)
Profit (Loss) and Comprehensive Income		12,566	(69,374)
Weighted average shares outstanding		35,625,800	35,625,800
Earnings per share, basic and fully diluted		0.000	(0.002)

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, 2023	4,206,910	81,200	311,589	3,231,637	7,831,336
Profit for the period	-	-	-	(69,374)	(69,374)
Balance as at June 30, 2023	4,206,910	81,200	311,589	3,162,263	7,761,962
Balance as at March 31, 2024	4,206,910	65,800	326,989	3,020,954	7,620,653
Profit (Loss) for the period	-	-	-	12,566	12,566
Balance as at June 30, 2024	4,206,910	65,800	326,989	3,033,520	7,633,219

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 June 30	
	2024	2023
	\$	\$
Operating Activities		
Profit (Loss)	12,566	(69,374)
Adjustments to reconcile profit to cash flows from operating activities		-
- depreciation of plant and office equipment	240,345	241,008
- depreciation of right-of-use assets	69,062	69,062
- Expected credit loss on trade receivables	(20,000)	-
- interest expense on bank loans	11,080	9,911
- interest expense on lease liabilities	19,392	22,343
- income tax expense	5,272	(24,971)
- income tax recovered (paid)	-	(21,510)
Cash flows from operating activities before changes in non-cash working capital	337,717	226,469
Decrease (increase) in		-
- inventory	35,545	(192,278)
- trade and other receivables	(284,051)	(502,193)
- prepaid expenses	(93,977)	183,895
- trade and other payables	200,615	65,801
Net Cash Flow from Operating Activities	195,848	(218,305)
Investing Activities		
Purchase of plant and equipment	9	-
Net Cash Flow from Investing Activities	(24,793)	(164,819)
Financing Activities		
Repayment of term bank loans	-	(180,839)
Interest paid on bank loans	(11,080)	(9,911)
Increase (decrease) in revolving bank loans	(145,000)	600,645
Interest portion of lease payments	(13,082)	(15,056)
Principal portion of lease payments	(67,809)	(64,837)
Net Cash Flow from Financing Activities	(236,971)	330,002
Net Increase (Decrease) in Cash and Cash Equivalents	(65,916)	(53,141)
Cash and Cash Equivalents at the Beginning of the Period	111,001	73,490
Cash and Cash Equivalents at the End of the Period	45,085	20,349

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

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

June 30, 2024 and 2023

(Canadian Dollars)

(unaudited)

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 the medical, personal hygiene and food service/hospitality markets. 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, 2024 were approved and authorized for issue by resolution of the directors on August 28, 2024.

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, 2025 could result in restatement of these interim consolidated financial statements. The interim consolidated financial statements have been prepared under the historical cost convention.

The company notes that there is a change in the classification of "Shipping" costs in our financial reports starting in quarter ended June 30, 2023. Upon our external auditor's recommendation, we have added shipping costs to the Cost of sales category and removed it from Selling and distribution expenses category. For equitable comparison, in this report we have adjusted all numbers reported in previous periods to reflect this change.

Except for the allocation of the Shipping cost, as explained above, 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, 2024.

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, 2024 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, 2024.

3. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2024 the company incurred total compensation, comprising short-term employee benefits, of \$92,249 (2023 – \$93,293), to the directors and officers of the company and incurred \$3,300 (2023 – \$685) 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, 2024 and 2023
Canadian Dollars
(unaudited)

	Three months ended	
	June 30	
	2024	2023
	\$	\$
5. SALES		
Personal hygiene products	575,311	690,030
Clinical products	333,664	501,033
Wipes	561,882	497,323
Non-wipe air laid products	794,384	618,424
Other products	2,135	60,028
	<u>2,267,376</u>	<u>2,366,838</u>
6. COST OF SALES		
Materials	1,015,758	1,141,697
Production labour	211,543	264,112
Factory overhead labour	120,153	124,681
Variable overhead	97,515	114,265
Fixed overhead	91,863	81,485
Shipping	174,186	208,513
Depreciation of plant equipment	237,214	238,124
Depreciation of right-of-use assets	64,366	64,366
	<u>2,012,598</u>	<u>2,237,243</u>
7. SELLING AND DISTRIBUTION EXPENSES		
Wages, commissions and other employee benefits	33,670	42,099
Other	7,503	2,297
	<u>41,173</u>	<u>44,396</u>
8. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	30,243	30,795
Corporate promotion	398	1,768
Depreciation of right-of-use assets	4,696	4,696
Impairment (gain) loss on trade receivables	(19,374)	(50,000)
Professional fees	17,550	19,241
Salaries and other employee benefits	127,952	142,315
	<u>161,465</u>	<u>148,815</u>
9. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to purchase of plant and equipment	28,033	6,141