



WestBond Enterprises Corporation

Quarterly Report September 30, 2024

Management Discussion and Analysis

Dated November 19, 2024 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Period Ended September 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 and six month period ended September 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 30, 2024, the date of the Management Discussion and Analysis in the 2024 Annual Report, is not repeated here.

Sales were \$2,577,348 for the three months ended September 30, 2024, which is 13.7% higher than for the three months ended June 30, 2024. We realized a profit of \$71,060 (\$0.002 per share) for the three months ended September 30, 2024 compared to a profit of \$74,763 (\$0.002 per share) for the same period last year, and a profit of \$12,566 (\$0.000 per share) for the quarter ended June 30, 2024. The increase in profit compared to last quarter ending June 30, 2024 is a result of an increase in sales of napkins and parent rolls (air laid) and other product categories, off-set by decreases in sales in personal hygiene, clinical and wipes product categories. The table and graph on the next page show the trends over the past eight quarters.

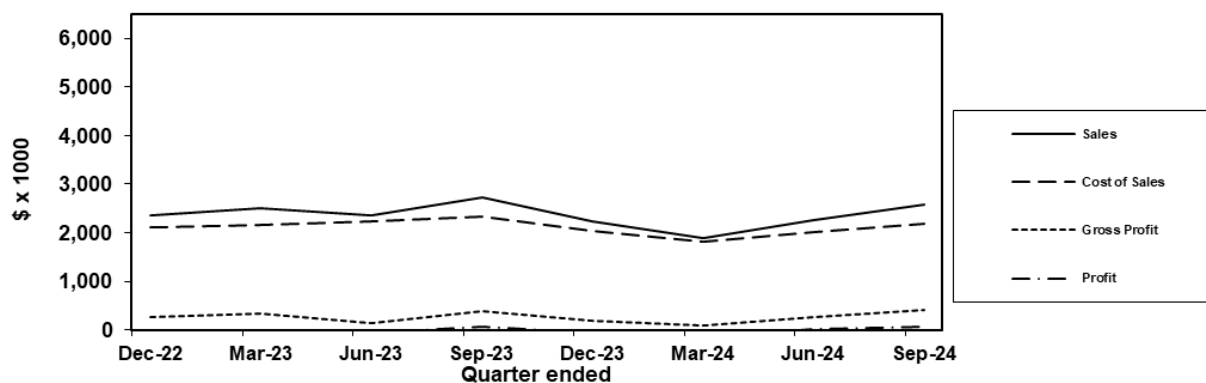
Summary of Quarterly Results

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							
	Sept 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Sales	2,577	2,267	1,896	2,239	2,718	2,367	2,510	2,360
Cost of Sales	2,179	2,013	1,817	2,041	2,322	2,237	2,166	2,100
Gross Profit	398	254	79	198	396	130	344	260
Selling and distribution expenses	48	41	30	35	46	44	39	40
General and administrative expenses	222	161	242	204	201	149	269	193
Operating profit	128	52	(193)	(41)	149	(63)	36	27
Other expenses	30	34	48	29	46	31	2	45
Profit before Tax	98	18	(241)	(70)	103	(94)	34	(18)
Income Tax Expense	27	5	(76)	(18)	28	(25)	40	1
Profit	71	13	(165)	(52)	75	(69)	(6)	183
Earnings per share, basic and diluted-Cdn\$	0.002	0.000	(0.005)	(0.001)	0.002	(0.002)	0.000	(0.001)
Dividends paid per share - Cdn\$	-	-	-	-	-	-	-	-
Sales % change over previous quarter	13.67	19.60	(15.30)	(17.60)	14.80	(5.70)	6.40	(18.60)

Costs, expenses and net income - % of Sales

Cost of Sales	84.5	88.8	95.8	91.2	85.4	94.5	86.3	89.1
Selling and distribution expenses	1.9	1.8	1.6	1.6	1.7	1.9	1.5	1.7
General and administrative expenses	8.6	7.1	12.8	9.1	7.4	6.3	10.7	8.2
Other expenses	1.1	1.5	2.5	1.3	1.7	1.3	0.1	1.9
Income Tax Expense	1.1	0.2	(4.0)	(0.8)	1.0	(1.1)	1.6	0.0
Net profit	2.8	0.6	(8.7)	(2.3)	2.8	(2.9)	(0.2)	(0.8)



Sales

Sales for the three months ended September 30, 2024 were 5.2% lower than for the same period last year and 13.7% higher than the previous quarter, ended June 30, 2024. The increase in profit compared to last quarter ending June 30, 2024, is a result of an increase in aggregate sales, with an increase in sales in napkins and parent rolls (air laid) and other product categories, off-set by decreases in sales in personal hygiene, clinical and wipes product categories. We have hired an additional shipper who 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 air laid 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 air laid 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	Six Months ended		Change over last year
	September 30			September 30		
	2024	2023		2024	2023	
Product Line	\$	\$		\$	\$	
Personal Hygiene	548,236	647,458	-15.3%	1,123,547	1,337,489	-16.0%
Clinical	269,434	434,934	-38.1%	603,098	935,967	-35.6%
Wipes	499,265	659,593	-24.3%	1,061,147	1,156,916	-8.3%
Napkins & Parent rolls (Air laid)	1,243,323	966,286	28.7%	2,037,707	1,584,710	28.6%
Other	17,090	9,899	72.6%	19,225	69,926	-72.5%
	2,577,348	2,718,170	-5.2%	4,844,724	5,085,008	-4.7%

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 September 30, 2024 than in the quarter ended September 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 maintenance cost. 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 0.4%. Depreciation of plant and equipment remained at 9.2% of sales and the depreciation of right of use of assets increased by 0.1% of sales.

Cost of Sales	Three Months ended September 30		Six Months ended September 30	
	% of Sales			
	2024	2023	2024	2023
Materials	43.5%	44.3%	44.1%	46.1%
Production labour	9.3%	9.5%	9.3%	10.3%
Factory overhead labour	4.8%	4.5%	5.0%	4.8%
Variable overhead	4.2%	4.3%	4.2%	4.6%
Fixed overhead	3.3%	2.9%	3.6%	3.1%
Shipping	7.7%	8.5%	7.7%	8.6%
Depreciation of plant equipment	9.2%	9.2%	9.8%	9.6%
Depreciation of right of use assets	2.5%	2.4%	2.7%	2.5%
Gross Profit	15.5%	14.6%	13.5%	10.4%

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended September 30, 2024 were 1.9% of sales, compared to 1.7% for the three months ended September 30, 2023. The percentage cost in 2024 was higher due to an increase in shipping wages and benefits.

General and Administrative Expenses

Administrative and office expenses are higher in the three months ended September 30, 2024 than in the quarter ended September 30 2023, mainly due to increase in IT costs, office rent, and more vacation days taken during this period in 2023.

During the six months ended September 30, 2024 the company incurred total short-term employee benefits of \$205,417 (2023 – \$186,920) to its key management personnel, comprising the directors and officers of the company, and incurred \$9,576 (2023 – \$11,590) 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 \$5,711 loss during the three months ended September 30, 2024, compared with a \$9,273 loss in the same period last year. Compared to the previous quarter ending June 30, 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 \$444,130 during the three months ended September 30, 2024, an average of \$148,043 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 \$2,130,986 at September 30, 2024, compared to \$1,805,725 at March 31, 2024. The change is mainly due to increased trade and other receivables, income tax payable 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 September 30, 2024, is \$1,460,970. 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. \$95,000 was outstanding under the revolving bank loan facility at September 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 September 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>November 19, 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 and six month periods ended September 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)

	September 30	March 31
	2024	2024
	\$	\$
ASSETS		
Non-Current Assets		
Plant and equipment	7,240,873	7,598,240
Right-of-use assets	1,409,336	1,548,220
Deferred tax asset	74,910	63,242
	<u>8,725,119</u>	<u>9,209,703</u>
Current Assets		
Inventory	1,807,333	2,138,782
Trade and other receivables	1,467,617	1,095,619
Income tax recoverable	-	42,903
Prepaid expenses	93,053	96,164
Cash and cash equivalents	69,800	111,001
	<u>3,437,803</u>	<u>3,484,468</u>
Total Assets	<u><u>12,162,922</u></u>	<u><u>12,694,171</u></u>
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	3,104,582	3,020,954
Equity attributable to common shareholders	<u>7,704,281</u>	<u>7,620,653</u>
Liabilities		
Non-Current Liabilities		
Lease liability	1,363,136	1,512,412
Deferred tax liability	1,788,688	1,882,362
	<u>3,151,824</u>	<u>3,394,774</u>
Current Liabilities		
Revolving bank loans	95,000	670,000
Lease liability	294,735	281,845
Income tax payable	107,932	-
Trade and other payables	809,150	726,899
	<u>1,306,817</u>	<u>1,678,744</u>
Total Liabilities	<u>4,458,641</u>	<u>5,073,518</u>
Total Equity and Liabilities	<u><u>12,162,922</u></u>	<u><u>12,694,171</u></u>

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

	Notes	Three months ended September 30		Six months ended September 30	
		2024	2023	2024 \$	2023 \$
Sales	5	2,577,348	2,718,170	4,844,724	5,085,008
Cost of sales	6	2,178,877	2,321,940	4,191,475	4,559,183
Gross Profit		398,471	396,230	653,249	525,825
Selling and distribution expenses	7	48,053	46,417	89,226	90,813
General and administrative expenses	8	222,441	201,142	383,906	349,957
Operating Profit (Loss)		127,977	148,671	180,117	85,055
Foreign exchange (gain) loss		5,711	9,273	9,541	7,748
Interest expense-bank loans		5,099	14,319	16,179	24,230
Interest expense on lease liability		18,842	21,859	38,234	44,202
Profit (Loss) Before Tax		98,325	103,220	116,163	8,875
Income tax expense (recovery)		27,265	28,457	32,537	3,486
Profit (Loss) and Comprehensive Income		71,060	74,763	83,626	5,389
Weighted average shares outstanding		35,625,800	35,625,800	35,625,800	35,625,800
Earnings per share, basic and fully diluted		0.002	0.002	0.002	0.000

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	3,231,636	7,831,335
Forfeiture of stock options	-	(14,000)	14,000	-	-
Profit for the period	-	-	-	5,389	5,389
Balance as at September 30, 2023	4,206,910	67,200	325,589	3,237,025	7,836,724
Balance as at March 31, 2024	4,206,910	65,800	326,989	3,020,954	7,620,653
Profit (Loss) for the period	-	-	-	83,626	83,626
Balance as at September 30, 2024	4,206,910	65,800	326,989	3,104,580	7,704,279

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows

Canadian Dollars
(Unaudited)

Notes	Three months ended		Six months ended	
	September 30		September 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Operating Activities				
Profit (Loss)	71,060	74,763	83,626	5,389
Adjustments to reconcile profit to cash flows from operating activities				-
- depreciation of plant and office equipment	239,085	251,928	479,430	492,936
- depreciation of right-of-use assets	69,822	69,822	138,884	138,884
- Expected credit loss on trade receivables	-	-	(20,000)	-
- interest expense on bank loans	5,099	14,319	16,179	24,230
- interest expense on lease liabilities	18,842	21,859	38,234	44,202
- income tax expense	27,265	28,457	32,537	3,486
- income tax recovered (paid)	12,957	(200,326)	12,957	(221,836)
Cash flows from operating activities before changes in non-cash working capital	444,130	260,822	781,847	487,291
Decrease (increase) in				-
- inventory	295,904	(29,334)	331,449	(221,612)
- trade and other receivables	(67,947)	37,256	(351,998)	(464,937)
- prepaid expenses	97,088	86,279	3,111	270,174
- trade and other payables	(131,928)	(121,917)	68,684	(56,115)
Net Cash Flow from Operating Activities	637,246	233,106	833,092	14,800
Investing Activities				
Purchase of plant and equipment	(89,763)	(101,836)	(114,556)	(266,656)
Net Cash Flow from Investing Activities	(89,763)	(101,836)	(114,556)	(266,656)
Financing Activities				
Repayment of term bank loans	-	(116,944)	-	(297,783)
Interest paid on bank loans	(5,099)	(14,319)	(16,179)	(24,230)
Increase (decrease) in revolving bank loans	(430,000)	167,004	(575,000)	767,649
Interest portion of lease payments	(19,092)	(22,099)	(32,174)	(37,155)
Principal portion of lease payments	(68,577)	(65,570)	(136,386)	(130,407)
Net Cash Flow from Financing Activities	(522,768)	(51,928)	(759,739)	278,074
Net Increase (Decrease) in Cash and Cash Equivalents	24,715	79,341	(41,203)	26,200
Cash and Cash Equivalents at the Beginning of the Period	45,085	20,349	111,003	73,490
Cash and Cash Equivalents at the End of the Period	69,800	99,690	69,800	99,690

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

September 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 and six month periods ended September 30, 2024 were approved and authorized for issue by resolution of the directors on November 19, 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.

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 six months ended September 30, 2024 the company incurred total compensation, comprising short-term employee benefits, of \$205,417 (2023 – \$186,920), to the directors and officers of the company and incurred \$9,576 (2023 – \$11,590) 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, 2024 and 2023

Canadian Dollars

(unaudited)

	Three months ended September 30		Six months ended September 30	
	2024	2023	2024	2023
			\$	\$
5. SALES				
Personal hygiene products	548,236	647,459	1,123,547	1,337,489
Clinical products	269,434	434,934	603,098	935,967
Wipes	499,265	659,593	1,061,147	1,156,916
Non-wipe air laid products	1,243,323	966,286	2,037,707	1,584,710
Other products	17,090	9,898	19,225	69,926
	<u>2,577,348</u>	<u>2,718,170</u>	<u>4,844,724</u>	<u>5,085,008</u>
6. COST OF SALES				
Materials	1,121,802	1,202,920	2,137,560	2,344,617
Production labour	240,144	257,701	451,687	521,813
Factory overhead labour	124,434	121,265	244,587	245,946
Variable overhead	108,324	118,036	205,839	232,301
Fixed overhead	84,656	77,536	176,519	159,021
Shipping	198,464	230,389	372,650	438,902
Depreciation of plant equipment	235,979	249,019	473,193	487,143
Depreciation of right-of-use assets	65,074	65,074	129,440	129,440
	<u>2,178,877</u>	<u>2,321,940</u>	<u>4,191,475</u>	<u>4,559,183</u>
7. SELLING AND DISTRIBUTION EXPENSES				
Wages, commissions and other employee benefits	43,286	38,365	76,956	80,464
Other	4,767	8,052	12,270	10,349
	<u>48,053</u>	<u>46,417</u>	<u>89,226</u>	<u>90,813</u>
8. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	42,430	37,377	72,673	68,172
Corporate promotion	2,528	2,457	2,926	4,225
Depreciation of right-of-use assets	4,748	4,748	9,444	9,444
Impairment (gain) loss on trade receivables	-	-	(19,374)	(50,000)
Professional fees	22,329	28,230	39,879	47,471
Salaries and other employee benefits	150,406	128,330	278,358	270,645
	<u>222,441</u>	<u>201,142</u>	<u>383,906</u>	<u>349,957</u>
9. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	(20,357)	(9,442)	7,507	(6,302)