



WestBond Enterprises Corporation

Quarterly Report

December 31, 2024

Management Discussion and Analysis

Dated February 18, 2025 to Accompany the Interim Consolidated Financial Statements for the Three and Nine Month Period Ended December 31, 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 nine month period ended December 31, 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 \$2,305,562 for the three months ended December 31, 2024, which is 10.6% lower than for the three months ended September 30, 2024. We realized a loss of \$40,107 (-\$0.001 per share) for the three months ended December 31, 2024 compared to a loss of \$51,828 (-\$0.001 per share) for the same period last year. The decrease in profit compared to last quarter ending September 30, 2024 is a result of a decrease in sales of personal hygiene, napkins and parent rolls (air laid) and other product categories, offset by increases in sales in clinical and wipes product categories. The table and graph on the next page show the trends over the past eight quarters.

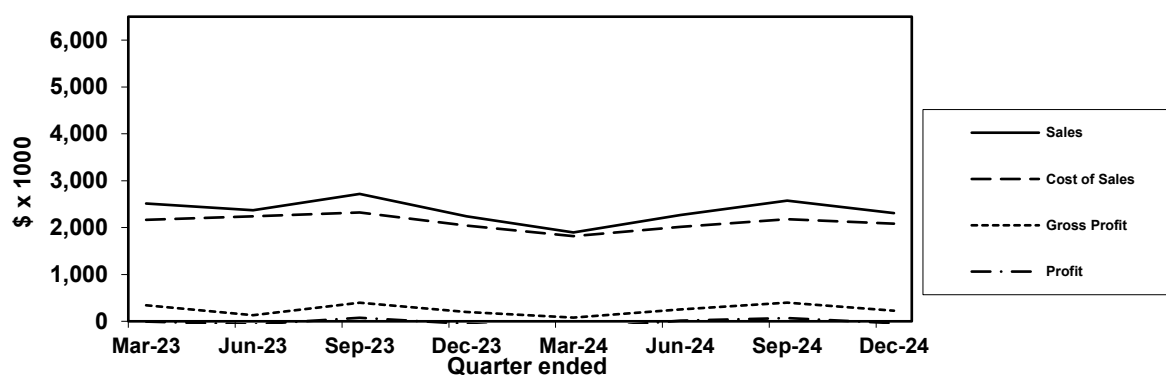
Summary of Quarterly Results

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							
	Dec 31 2024	Sept 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023
Sales	2,306	2,577	2,267	1,896	2,239	2,718	2,367	2,510
Cost of Sales	2,082	2,179	2,013	1,817	2,041	2,322	2,237	2,166
Gross Profit	224	398	254	79	198	396	130	344
Selling and distribution expenses	42	48	41	30	35	46	44	39
General and administrative expenses	193	222	161	242	204	201	149	269
Operating profit	(11)	128	52	(193)	(41)	149	(63)	36
Other expenses	43	30	34	48	29	46	31	2
Profit before Tax	(54)	98	18	(241)	(70)	103	(94)	34
Income Tax Expense	(14)	27	5	(76)	(18)	28	(25)	40
Profit	(40)	71	13	(165)	(52)	75	(69)	(6)
Earnings per share, basic and diluted-Cdn\$	(0.001)	0.002	0.000	(0.005)	(0.001)	0.002	(0.002)	0.000
Dividends paid per share - Cdn\$	-	-	-	-	-	-	-	-
Sales % change over previous quarter	(10.55)	13.67	19.60	(15.30)	(17.60)	14.80	(5.70)	6.40

Costs, expenses and net income - % of Sales

Cost of Sales	90.3	84.5	88.8	95.8	91.2	85.4	94.5	86.3
Selling and distribution expenses	1.8	1.9	1.8	1.6	1.6	1.7	1.9	1.5
General and administrative expenses	8.3	8.6	7.1	12.8	9.1	7.4	6.3	10.7
Other expenses	1.9	1.1	1.5	2.5	1.3	1.7	1.3	0.1
Income Tax Expense	(0.6)	1.1	0.2	(4.0)	(0.8)	1.0	(1.1)	1.6
Net profit	(1.7)	2.8	0.6	(8.7)	(2.3)	2.8	(2.9)	(0.2)



Sales

Sales for the three months ended December 31, 2024 were 3.0% higher than for the same period last year. The increase in sales compared to the three months ended December 31, 2023, is a result of an increase in sales of napkins & parent rolls (air laid), and other product categories, off-set by decreases in sales in personal hygiene, clinical and wipes product categories.

In the quarter ended September 31, 2024, our sales were \$2,577,348, which is 10.6% higher than this quarter ended December 31, 2024. The decrease in sales compared to last quarter ending September 30, 2024, is a result of a decrease in sales of personal hygiene, napkins and parent rolls (air laid) and other product categories, off-set by increases in sales in clinical and wipes product categories.

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 major, high profile national restaurant chains. Additionally, major American restaurant supply distributors have placed 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	Nine Months ended		Change
	December 31			December 31		
	2024	2023	over last year	2024	2023	over last year
<u>Product Line</u>	\$	\$		\$	\$	
Personal Hygiene	429,906	490,902	-12.4%	1,553,453	1,828,390	-15.0%
Clinical	480,011	485,392	-1.1%	1,083,109	1,421,359	-23.8%
Wipes	602,281	630,667	-4.5%	1,663,428	1,787,583	-6.9%
Napkins & Parent rolls (Air laid)	790,753	631,231	25.3%	2,828,460	2,215,941	27.6%
Other	2,611	707	269.2%	21,836	70,635	-69.1%
	<u>2,305,562</u>	<u>2,238,900</u>	<u>3.0%</u>	<u>7,150,286</u>	<u>7,323,908</u>	<u>-2.4%</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 higher in the quarter ended December 31, 2024 than in the quarter ended December 31, 2023 as a percentage of sales. Compared to the same quarter in 2023, production labour cost was lower. The increase in factory overhead labour cost is due to additional maintenance and warehouse employees hired in October 2024. An increase in fixed overhead is mainly due to an increase in factory rent. A decrease in depreciation of plant and equipment is recorded as normal part of operations.

Cost of Sales	Three Months ended December 31		Nine Months ended December 31	
	% of Sales			
	2024	2023	2024	2023
Materials	43.3%	42.9%	43.9%	45.1%
Production labour	10.5%	11.4%	9.7%	10.6%
Factory overhead labour	5.7%	5.4%	5.3%	5.0%
Variable overhead	5.1%	5.0%	4.5%	4.7%
Fixed overhead	3.7%	3.5%	3.7%	3.2%
Shipping	9.1%	8.9%	8.1%	8.7%
Depreciation of plant equipment	10.1%	11.2%	9.9%	10.1%
Depreciation of right of use assets	2.8%	2.9%	2.7%	2.7%
Gross Profit	<u>9.7%</u>	<u>8.8%</u>	<u>12.2%</u>	<u>9.9%</u>

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended December 31, 2024 were 1.8% of sales, compared to 1.6% for the three months ended December 31, 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 lower in the three months ended December 31, 2024 than in the quarter ended December 31 2023, mainly due to decrease in office expenses, corporate promotion, and professional fees.

During the nine months ended December 31, 2024 the company incurred total short-term employee benefits of \$304,594 (2023 – \$293,570) to its key management personnel, comprising the directors and officers of the company, and incurred \$11,292 (2023 – \$14,168) 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 \$24,062 loss during the three months ended December 31, 2024, compared with a \$4,167 gain in the same period last year. Compared to the previous quarter ending September 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 \$241,042 during the three months ended December 31, 2024, an average of \$80,347 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 for the period. We had working capital of \$2,194,278 at December 31, 2024, compared to \$1,805,725 at March 31, 2024. The change is mainly due to increased inventory, trade and other receivables, income tax payable and trade and other payables, offset by decreased 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 available at December 31, 2024, based on our Consolidated Statement of Financial Position, is \$1,491,624. 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. \$295,000 was outstanding under the revolving bank loan facility at December 31, 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 December 31, 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>February 18, 2025</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 nine month periods ended December 31, 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)

	December 31	March 31
	2024	2024
	\$	\$
ASSETS		
Non-Current Assets		
Plant and equipment	7,084,400	7,598,240
Right-of-use assets	1,339,514	1,548,220
Deferred tax asset	78,784	63,242
	8,502,698	9,209,703
Current Assets		
Inventory	2,240,311	2,138,782
Trade and other receivables	1,542,801	1,095,619
Income tax recoverable	-	42,903
Prepaid expenses	69,634	96,164
Cash and cash equivalents	51,942	111,001
	3,904,688	3,484,468
Total Assets	12,407,386	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	3,064,472	3,020,954
Equity attributable to common shareholders	7,664,171	7,620,653
Liabilities		
Non-Current Liabilities		
Lease liability	1,287,074	1,512,412
Deferred tax liability	1,745,731	1,882,362
	3,032,805	3,394,774
Current Liabilities		
Revolving bank loans	295,000	670,000
Lease liability	299,098	281,845
Income tax payable	110,582	-
Trade and other payables	1,005,730	726,899
	1,710,410	1,678,744
Total Liabilities	4,743,215	5,073,518
Total Equity and Liabilities	12,407,386	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		Nine months ended	
		December 31		December 31	
		2024	2023	2024	2023
		\$	\$	\$	\$
Sales	5	2,305,562	2,238,900	7,150,286	7,323,908
Cost of sales	6	2,082,162	2,040,925	6,273,637	6,600,108
Gross Profit		223,400	197,975	876,649	723,800
Selling and distribution expenses	7	42,300	34,704	131,526	125,517
General and administrative expenses	8	192,727	203,864	576,633	553,821
Operating Profit (Loss)		(11,627)	(40,593)	168,490	44,462
Foreign exchange (gain) loss		24,062	(4,167)	33,603	3,581
Interest expense-bank loans		549	11,990	16,728	36,220
Interest expense on lease liability		18,051	21,115	56,285	65,317
Profit (Loss) Before Tax		(54,289)	(69,531)	61,874	(60,656)
Income tax expense (recovery)		(14,182)	(17,703)	18,355	(14,217)
Profit (Loss) and Comprehensive Income		(40,107)	(51,828)	43,519	(46,439)
Weighted average shares outstanding		35,625,800	35,625,800	35,625,800	35,625,800
Earnings per share, basic and fully diluted		(0.001)	(0.001)	0.001	(0.001)

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	3,231,636	7,831,335
Forfeiture of stock options	-	(14,000)	14,000	-	-
Profit for the period	-	-	-	(46,439)	(46,439)
Balance as at December 31, 2023	4,206,910	67,200	325,589	3,185,197	7,784,896
Balance as at March 31, 2024	4,206,910	65,800	326,989	3,020,954	7,620,653
Profit (Loss) for the period	-	-	-	43,519	43,519
Balance as at December 31, 2024	4,206,910	65,800	326,989	3,064,473	7,664,172

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		Nine months ended	
	December 31		December 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Operating Activities				
Profit (Loss)	(40,107)	(51,828)	43,519	(46,439)
Adjustments to reconcile profit to cash flows from operating activities	-	-	-	-
- depreciation of plant and office equipment	236,908	253,106	716,338	746,042
- depreciation of right-of-use assets	69,822	69,822	208,706	208,706
- Expected credit loss on trade receivables	-	-	(20,000)	-
- interest expense on bank loans	549	11,990	16,728	36,220
- interest expense on lease liabilities	18,051	21,115	56,285	65,317
- income tax expense	(14,182)	(17,703)	18,355	(14,217)
- income tax recovered (paid)	(29,999)	(235,333)	(17,042)	(457,169)
Cash flows from operating activities before changes in non-cash working capital	241,042	51,169	1,022,889	538,460
Decrease (increase) in				
- inventory	(432,978)	(153,575)	(101,529)	(375,187)
- trade and other receivables	(75,184)	236,856	(427,182)	(228,081)
- prepaid expenses	23,419	(55,782)	26,530	214,392
- trade and other payables	195,149	203,775	263,833	147,660
Net Cash Flow from Operating Activities	(48,552)	282,443	784,540	297,244
Investing Activities				
Purchase of plant and equipment	9	(78,938)	(54,198)	(193,494)
Net Cash Flow from Investing Activities	(78,938)	(54,198)	(193,494)	(320,853)
Financing Activities				
Repayment of term bank loans	-	-	-	(297,783)
Interest paid on bank loans	(549)	(11,990)	(16,728)	(36,220)
Increase (decrease) in revolving bank loans	200,000	(165,000)	(375,000)	602,649
Interest portion of lease payments	(18,120)	(21,131)	(50,294)	(58,286)
Principal portion of lease payments	(71,699)	(66,538)	(208,085)	(196,945)
Net Cash Flow from Financing Activities	109,632	(264,659)	(650,107)	13,415
Net Increase (Decrease) in Cash and Cash Equivalents	(17,858)	(36,412)	(59,061)	(10,212)
Cash and Cash Equivalents at the Beginning of the Period	69,800	99,690	111,003	193,530
Cash and Cash Equivalents at the End of the Period	51,942	63,278	51,942	183,318

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

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

December 31, 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 nine month periods ended December 31, 2024 were approved and authorized for issue by resolution of the directors on February 18, 2025.

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 nine months ended December 31, 2024 the company incurred total compensation, comprising short-term employee benefits, of \$304,594 (2023 – \$293,570), to the directors and officers of the company and incurred \$11,292 (2023 – \$14,168) 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**

December 31, 2024 and 2023

Canadian Dollars

(unaudited)

	Three months ended		Nine months ended	
	December 31		December 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
5. SALES				
Personal hygiene products	429,906	490,901	1,553,453	1,828,390
Clinical products	480,011	485,392	1,083,109	1,421,359
Wipes	602,281	630,667	1,663,428	1,787,583
Napkins & Parent Rolls (Air laid)	790,753	631,231	2,828,460	2,215,941
Other products	2,611	709	21,836	70,635
	<u>2,305,562</u>	<u>2,238,900</u>	<u>7,150,286</u>	<u>7,323,908</u>
6. COST OF SALES				
Materials	998,360	961,296	3,135,920	3,305,913
Production labour	241,356	255,689	693,043	777,502
Factory overhead labour	131,713	119,754	376,300	365,700
Variable overhead	117,087	111,579	322,926	343,880
Fixed overhead	85,192	78,343	261,711	237,364
Shipping	209,304	199,318	581,954	638,220
Depreciation of plant equipment	234,076	249,872	707,269	737,015
Depreciation of right-of-use assets	65,074	65,074	194,514	194,514
	<u>2,082,162</u>	<u>2,040,925</u>	<u>6,273,637</u>	<u>6,600,108</u>
7. SELLING AND DISTRIBUTION EXPENSES				
Wages, commissions and other employee benefits	33,456	27,001	110,412	107,465
Other	8,844	7,703	21,114	18,052
	<u>42,300</u>	<u>34,704</u>	<u>131,526</u>	<u>125,517</u>
8. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	29,520	32,330	102,193	100,502
Corporate promotion	398	3,254	3,324	7,479
Depreciation of right-of-use assets	4,748	4,748	14,192	14,192
Impairment (gain) loss on trade receivables	-	-	(19,374)	(50,000)
Professional fees	17,769	19,903	57,648	67,374
Salaries and other employee benefits	140,292	143,629	418,650	414,274
	<u>192,727</u>	<u>203,864</u>	<u>576,633</u>	<u>553,821</u>
9. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	1,497	(1,864)	9,004	(5,166)