WestBond Enterprises Corporation

Quarterly Report
June 30, 2023

Management Discussion and Analysis

Dated August 22, 2023 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2023

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 2023 Annual Report. A pdf version of the 2023 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

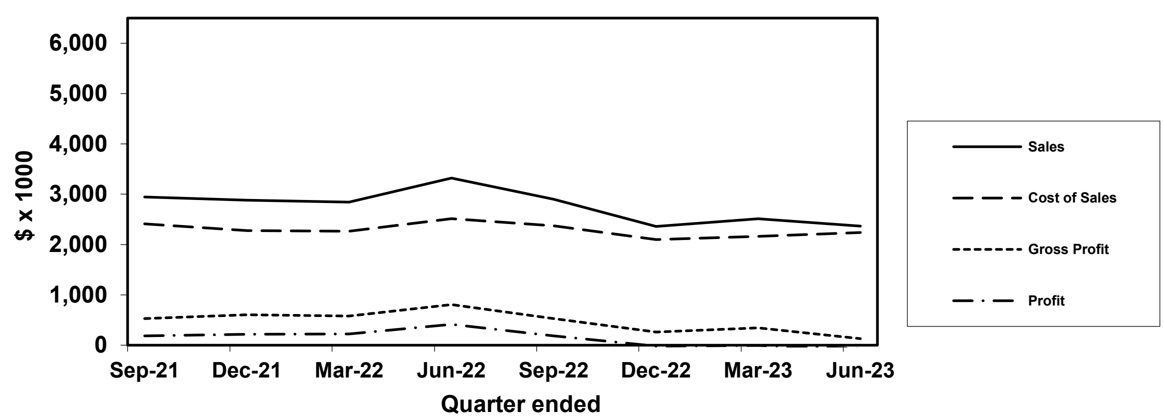
You should refer to our interim consolidated financial statements for the three month period ended June 30, 2023 and our consolidated financial statements for the year ended March 31, 2023 while you read this discussion. Those financial statements provide significant material information that is not 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 2023 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 29, 2023, the date of the Management Discussion and Analysis in the 2023 Annual Report, is not repeated here.

Sales were $2,366,838 for the three months ended June 30, 2023, which is 28.7% lower than for the three months ended June 30, 2022 and 5.7% lower than for the three months ended March 31, 2023. We realized a loss of $69,374 (-$0.002 per share) for the three months ended June 30, 2023, compared to a profit of $415,352 ($0.012 per share) for the same period last year. The decrease in both sales and profitability are due to the decrease in sales of airlaid parent rolls since the beginning of this quarter. This is because one of our customers had a change in ownership and decided to purchase airlaid parent rolls from their new owner's supplier. Our long-term plan is to use most of the airlaid paper for finished napkins and wipes, which yield much higher profit margins than parent roll sales. With the decrease in parent roll sales, we can now focus on developing these end user markets. At this time, additional napkin and wipe sales have made up almost 40% of the lost parent roll revenue. In addition, sales and demand for almost all our other products continue to grow. With the expected return to full production staff levels, sales are expected to increase with a corresponding return to profitability. 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 2023**	**Mar 31 2023**	**Dec 31 2022**	**Sept 30 2022**	**Jun 30 2022**	**Mar 31 2022**	**Dec 31 2021**	**Sept 30 2021**
Sales	2,367	2,510	2,360	2,898	3,321	2,845	2,883	2,942
Cost of Sales	2,237	2,166	2,100	2,372	2,513	2,264	2,276	2,413
Gross Profit	130	344	260	526	808	581	607	529
Selling and distribution expenses	44	39	40	35	34	28	33	44
General and administrative expenses	149	269	193	202	196	203	235	207
Operating profit	(63)	36	27	289	578	350	339	278
Other expenses	31	2	45	37	11	39	41	30
Profit before Tax	(94)	34	(18)	252	567	311	298	248
Income Tax Expense	(25)	40	1	69	152	88	79	65
Profit	(69)	(6)	(19)	183	415	223	219	182
Earnings per share, basic and diluted-Cdn$	(0.002)	0.000	(0.001)	0.005	0.012	0.006	0.006	0.005
Dividends paid per share - Cdn$	-	-	-	0.005	0.005	0.005	-	-
Sales % change over previous quarter	-5.70	6.40	-18.60	-12.70	16.80	-1.30	-2.00	8.60
Costs, expenses and net income - % of Sales								
Cost of Sales	94.5	86.3	89.1	81.8	75.7	79.6	79.0	82.1
Selling and distribution expenses	1.9	1.5	1.7	1.2	1.0	1.0	1.1	1.5
General and administrative expenses	6.3	10.7	8.2	7.0	5.9	7.1	8.2	7.0
Other expenses	1.3	0.1	1.9	1.3	0.3	1.4	1.4	1.0
Income Tax Expense	-1.1	1.6	0.0	2.4	4.6	3.1	2.7	2.2
Net profit	-2.9	-0.2	-0.8	6.3	12.5	7.8	7.6	6.2



Sales

Sales for the three months ended June 30, 2023 were 28.7% lower than for the same period last year and 5.7% lower than the previous quarter, ended March 31, 2023. The decrease in both sales and profitability are due to the decrease in sales of airlaid parent rolls since the beginning of this quarter. This is because one of our customers had a change in ownership and decided to purchase airlaid parent rolls from their new owner's supplier. Our long-term plan is to use most of the airlaid paper for finished napkins and wipes, which yield much higher profit margins than parent roll sales. With the decrease in parent roll sales, we can now focus on developing these end user markets. At this time, additional napkin and wipe sales have made up almost 40% of the lost parent roll revenue. In addition, sales and demand for almost all our other products continue to grow. With the expected return to full production staff levels, sales are expected to increase with a corresponding return to profitability. Compared to the previous quarter ended March 31, 2023, and the quarter ended June 30, 2022, sales have increased for our personal hygiene, clinical, and other product categories. Sales of wipes decreased slightly when compared to the previous quarter but has increased when compared to the quarter ended June 30, 2022.

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 airlaid napkins. Demand for our products remain high. With improved staffing, we have been able to reduce our backlog of unshipped orders.

Sales	Three months ended June 30		Change over last year
Product Line	2023 $	2022 $	
Personal hygiene	690,030	469,140	47.1%
Clinical	501,033	386,797	29.5%
Wipes	497,323	484,156	2.7%
Non-wipe air laid	618,424	1,975,642	-68.7%
Other	60,028	5,683	956.3%
	2,366,838	3,321,418	-28.7%

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 higher in the quarter ended June 30, 2023 than in the quarter ended June 30, 2022 as a percentage of sales due to higher costs of raw materials compared to the previous year. Compared to the same quarter in 2022, production labour costs increased because of a general wage rate increase for most production employees and overtime pay made necessary to produce backlogged orders. Factory overhead labour costs increased due to an increase in wages and benefits for the factory supervisor, warehouse staff, and costs related to training. The general decrease in Variable overhead is due to lower costs in waste disposal and utility charges. Fixed overhead and shipping costs are higher in 2023 due to a general increase in costs due to inflation. As recommended by our external auditors, the shipping costs that were previously reported as selling and distribution expenses are now reported as cost of sales. Depreciation increased in 2023 as more assets were put into service.

Cost of Sales	Three months ended June 30	
	2023 % of sales	2022 % of sales
Materials	48.2%	42.9%
Production labour	11.2%	7.3%
Factory overhead labour	5.3%	3.6%
Variable overhead	4.8%	5.2%
Fixed overhead	3.4%	2.2%
Shipping	8.8%	6.7%
Depreciation of plant equipment	10.1%	6.0%
Depreciation of right-of-use assets	2.7%	1.9%
Gross Profit	5.5%	24.3%

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended June 30, 2023 were 1.9% of sales, compared to 1% for the three months ended June 30, 2022. The percentage cost in 2023 was higher due to increase in Sales commission, and shipping wages. As recommended by our external auditors, the shipping costs that were previously reported in this category are now reported as cost of sales.

General and Administrative Expenses

Administrative and office expenses were lower in the three months ended June 30, 2023 than in 2022 due to the reversal of the expected credit loss adjustment made on March 31, 2023. We have received payments for the adjustment created at March 31, 2023.

During the three months ended June 30, 2023 the company incurred total short-term employee benefits of $93,293 (2022 – $102,600) to its key management personnel, comprising the directors and officers of the company, and incurred $685 (2022 – $3,988) 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 $1,525 gain during the three months ended June 30, 2023, compared with a $19,388 gain in the same period last year. Interest expense on bank loans is comparable to the quarter ended June 30, 2022 and lease liabilities is lower in 2023 than 2022 because of lower principal balance.

Liquidity, Financial Position and Capital Resources

Our operating cash flows, before accounting for fluctuations in non-cash working capital were $226,469 during the three months ended June 30, 2023, an average of $75,490 per month, compared to an average of $181,109 per month during the year ended March 31, 2023. The decrease is from decreased sales. We had working capital of $1,560,826 at June 30, 2023, compared to $1,606,819 at March 31, 2023. The change is due to increased inventory, trade and other receivables, revolving bank loans and trade payables, offset by decreased prepaid expenses, cash and cash equivalents, and term loan.

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, 2023, is $1,472,272. 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. $612,996 was outstanding under the revolving bank loan facility at June 30, 2023.

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 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 and interest is in monthly instalments of $61,500 with a final payment of the balance of principal on August 31, 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, 2023 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.

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 22, 2023
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	1,160,000
Shares available for future stock option grants	2,402,580

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 this quarter ended June 30, 2023. Upon our external auditor's, PricewaterhouseCoopers LLP, recommendation, we have added S*hipping* cost to the *Cost of Sales* category, removing it from *Selling and distribution expense*s 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.

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three month period ended June 30, 2023 and 2022 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 2023	March 31 2023
	$	$
ASSETS		
Non-Current Assets		
Plant and equipment	8,122,686	8,192,735
Right-of-use assets	1,756,927	1,825,989
Deferred tax asset	45,620	41,777
	9,925,233	10,060,501
Current Assets		
Inventory	2,002,212	1,809,934
Trade and other receivables	1,584,235	1,082,042
Prepaid expenses	210,862	394,757
Cash and cash equivalents	20,349	73,471
	3,817,658	3,360,205
Total Assets	13,742,891	13,420,706
EQUITY AND LIABILITIES		
Equity		
Common shares issued and outstanding	4,206,910	4,206,910
Stock options	81,200	81,200
Contributed surplus	311,589	311,589
Retained earnings	3,162,262	3,231,637
Equity attributable to common shareholders	7,761,961	7,831,336
Liabilities		
Non-Current Liabilities		
Lease liability	1,726,447	1,794,257
Deferred tax liability	1,997,651	2,041,727
	3,724,098	3,835,984
Current Liabilities		
Revolving bank loans	612,996	12,351
Term bank loans	116,944	297,783
Lease liability	267,188	264,215
Income tax payable	323,887	322,449
Trade and other payables	935,817	856,588
	2,256,832	1,753,386
Total Liabilities	5,980,930	5,589,370
Total Equity and Liabilities	13,742,891	13,420,706

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

	Notes	Three months ended June 30	
		2023	**2022**
		$	**$**
Sales	5	2,366,838	3,321,418
Cost of sales	6	2,237,243	2,513,976
Gross Profit		129,595	807,442
Selling and distribution expenses	7	44,396	33,752
General and administrative expenses	8	148,815	195,520
Operating Profit (Loss)		(63,616)	578,170
Foreign exchange (gain) loss		(1,525)	(19,388)
Interest expense-bank loans		9,911	9,888
Interest expense on lease liability		22,343	25,051
Unrealized loss on interest rate swap		-	(4,983)
Profit (Loss) Before Tax		(94,345)	567,602
Income tax expense		(24,971)	152,250
Profit (Loss) and Comprehensive Income		(69,374)	415,352
Weighted average shares outstanding		35,625,800	35,625,800
Earnings per share, basic and fully diluted		(0.002)	0.012

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, 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
Balance as at March 31, 2023	4,206,910	81,200	311,589	3,231,637	7,831,336
Profit (Loss) 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

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 2023	Three months ended June 30 2022
		$	$
Operating Activities			
Profit (Loss)		(69,374)	415,352
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation of plant and office equipment		241,008	200,894
- depreciation of right-of-use assets		69,062	69,062
- unrealized gain on interest rate swap		-	(4,983)
- interest expense on bank loans		9,911	9,888
- interest expense on lease liabilities		22,343	25,051
- income tax expense		(24,971)	152,250
- income tax recovered (paid)		(21,510)	(21,510)
Cash flows from operating activities before changes in non-cash working capital		226,469	846,004
Decrease (increase) in			
- inventory		(192,278)	(42,627)
- trade and other receivables		(502,193)	33,570
- prepaid expenses		183,895	35,535
- trade and other payables		65,801	209,112
Net Cash Flow from Operating Activities		(218,305)	1,081,594
Investing Activities			
Purchase of plant and equipment	9	(164,819)	(41,067)
Net Cash Flow from Investing Activities		(164,819)	(41,067)
Financing Activities			
Repayment of term bank loans		(180,839)	(178,572)
Interest paid on bank loans		(9,911)	(9,729)
Increase (decrease) in revolving bank loans		600,645	(86,537)
Interest portion of lease payments		(15,056)	(26,355)
Principal portion of lease payments		(64,837)	(55,682)
Dividends paid		-	(178,129)
Net Cash Flow from Financing Activities		330,002	(535,004)
Net Increase (Decrease) in Cash and Cash Equivalents		(53,141)	505,523
Cash and Cash Equivalents at the Beginning of the Period		73,490	268,070
Cash and Cash Equivalents at the End of the Period		20,349	773,593

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 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, 2023 were approved and authorized for issue by resolution of the directors on August 22, 2023.

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, 2024 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, 2023.

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, 2023 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, 2023.

3. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2023 the company incurred total compensation, comprising short-term employee benefits, of $93,293 (2022 – $102,600), to the directors and officers of the company and incurred $685 (2022 – $3,988) 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, 2023 and 2022
Canadian Dollars
(unaudited)

	Three months ended June 30	
	2023	**2022**
	$	**$**
5. SALES		
Personal hygiene products	690,030	469,140
Clinical products	501,033	386,797
Wipes	497,323	484,156
Non-wipe air laid products	618,424	1,975,642
Other products	60,028	5,683
	2,366,838	3,321,418
6. COST OF SALES		
Materials	1,141,697	1,423,445
Production labour	264,112	241,571
Factory overhead labour	124,681	119,970
Variable overhead	114,265	172,150
Fixed overhead	81,485	72,683
Shipping	208,513	221,043
Depreciation of plant equipment	238,124	198,748
Depreciation of right-of-use assets	64,366	64,366
	2,237,243	2,513,976
7. SELLING AND DISTRIBUTION EXPENSES		
Wages, commissions and other employee benefits	42,099	29,897
Other	2,297	3,855
	44,396	33,752
8. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	30,795	33,257
Corporate promotion	1,768	1,802
Depreciation of right-of-use assets	4,696	4,696
Impairment (gain) loss on trade receivables	(50,000)	(256)
Professional fees	19,241	23,106
Salaries and other employee benefits	142,315	132,915
	148,815	195,520
9. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to purchase of plant and equipment	6,141	6,091