



WestBond Enterprises Corporation

Management Discussion and Analysis

dated June 20, 2024, to accompany the consolidated financial statements for the year ended March 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 (“WestBond” or the “company”), are a paper manufacturer and converter that manufactures disposable paper products for many market segments. We initially grew to become one of Canada’s leading manufacturers of medical disposables and later expanded our product offering to take advantage of high-volume opportunities in personal hygiene products for away-from-home markets. We sell mainly to major medical and industrial distributors in Canada and the United States.

Our product lines include clinical products such as examination table paper, sheets, pillowcases and gowns. The personal hygiene product line consists of hand towels and bathroom tissue in jumbo roll format as well as conventional formats. Our third major product line is patient wipes and underlays for long-term care facilities (nursing homes). We have expanded into a fourth product line, table top products, which include high quality air-laid paper napkins.

Our goal for the personal hygiene line is to increase sales by supplying a comprehensive paper product line directly to medium sized janitorial contractors providing public washroom maintenance services and to small and medium sized distributors who sell to the janitorial market. Our most significant competitors in the personal hygiene product line use wholesale master distributors who sell to smaller distributors that sell to smaller contractors. By selling direct to the smaller distributors, we eliminate the “middle-man” and are able to offer more competitive pricing. Also, unlike our most significant competitors, we will configure our products to customers’ specifications. Our current focus for expansion in this market is Canada and the western USA.

Our goal for the clinical and long-term care lines is to increase sales by continuing to provide quality products at competitive prices. Our focus for the clinical line is Canada and the USA. Long-term care products are also sold in Canada and the USA and its territories.

We sell a full range of air-laid napkins (table top) to major food service distributors in Canada and the United States. Sales of these high-quality air-laid products are expanding quickly.

Our plant equipment enables us to provide a comprehensive range of products for each of our product lines and allows us to utilize a wide variety of paper supplies, enabling us to take advantage of good raw material pricing opportunities.

We started production on our binder bonded air-laid paper making machine in August 2015. The machine can produce air-laid paper at a significantly lower cost than current purchase prices. We use 25% - 30% of the production capacity of the machine for our own finished products and are selling production from surplus capacity to other paper converters.

We started up a wet-wipe production line in August 2020 and commenced sales of disinfectant wipes to government distribution centres, nursing home suppliers and janitorial supply distributors.

Personal Hygiene Products – We started this product line during 2002. Our decision to expand into personal disposables such as hand towels and bathroom tissue was based on demands by existing

distributors who wanted to increase their purchasing ability with us. We evaluated this potential and determined that there was a high demand for these types of products. In addition, we soon learned that small to medium size distributors who sell to the janitorial market were not being serviced well by other paper converters.

The personal hygiene paper products include roll towels, jumbo roll bathroom tissue, conventional high-sheet-count bathroom tissue and a specialty line of roll towels and bathroom tissue. This specialty line provides us with high margin products that few converters are able to produce. We manufacture our products in 1 and 2 ply formats. In 2015, we introduced a premium line of air-laid roll towels to the market. We sell these products to Canadian and US distributors and janitorial contractors in large order quantities.

Clinical Products – Historically, this product line represented the company’s core business. Basically, all paper products that are used by clinics, physicians, chiropractors and physiotherapists form this product category. The equipment that was originally installed to manufacture these paper products is very flexible, reliable and high speed. This allows us to develop new products that could be in demand in the future.

Products in this group are sheets, examination table paper, pillowcases, gowns, and drapes. The equipment is able to convert roll format as well as sheet format products in many case pack and roll length configurations.

Wipe Products – The products that comprise this category were originally part of the Clinical Product Line. Sales in this area have increased to the point that we now dedicate four entire production lines to these items. The products include patient wipes and underlays, primarily for use in nursing homes. All dry wipes are made with high quality air-laid paper which results in soft absorbent wipes which are used as disposable wash cloths and perineal wipes.

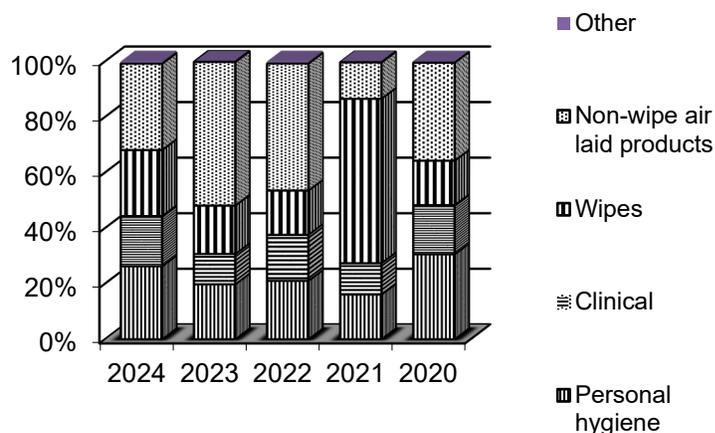
Products are available in 1/4-fold, 1/8-fold, and roll formats in a variety of widths and perforation lengths. The long-term care market is growing and we continue to develop new products for major Canadian and US distributors.

Our disinfectant wet-wipes, marketed under the brand name “ViroBan Plus” are also included in this category.

Non-Wipe Air-laid Products– This product line includes bulk air-laid parent rolls sold to other paper converters and our own line of high-quality air-laid napkins for use in restaurants. These napkins replace costly linen napkins and also out-perform conventional paper napkins, reducing operating costs of many restaurants. These products are sold through major food service distributors. We are now supplying air laid napkins to a major, high profile national restaurant chain with a customized product. The addition of our own air-laid paper making machine is allowing us to grow this business substantially.

These four product groups represent WestBond’s ability to adapt to market demands and develop product lines to satisfy these markets.

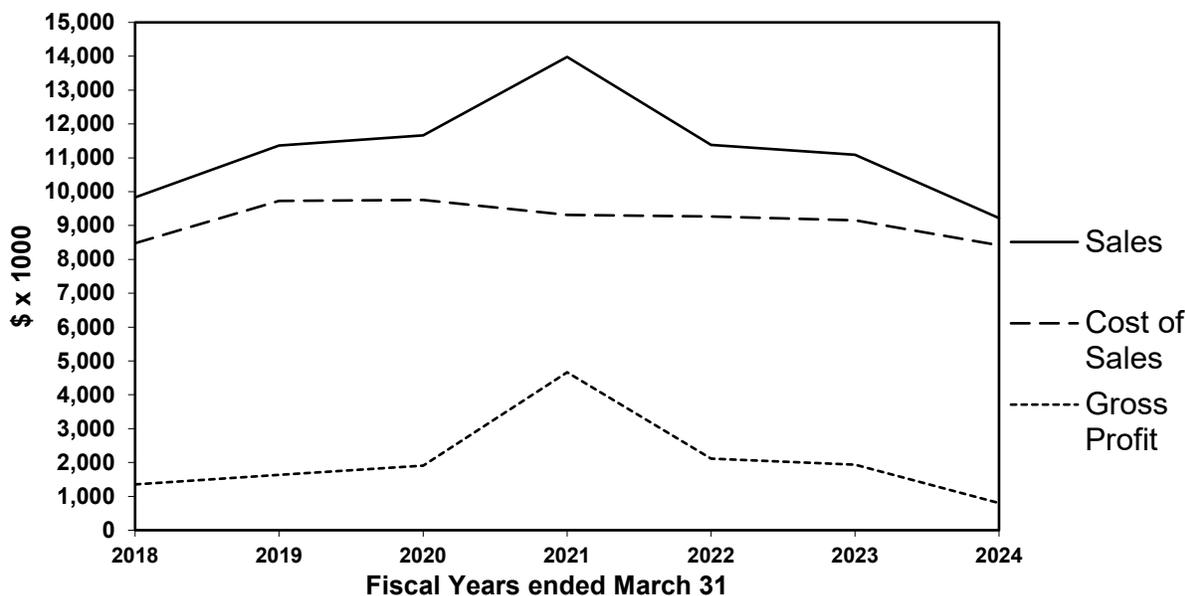
The following chart shows the portion of total sales that each of the product categories contributed during the years ended March 31, 2020 through 2024.



Discussion of Operations and Financial Condition

You should refer to 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.

We realized a loss of \$210,683 during the year ended March 31, 2024, compared to a profit of \$574,550 for the year ended March 31, 2023. Our gross profit margin realized during 2024 was 8.7% compared to 17.4% for 2023. Please note the change in gross margin calculation due to the reallocation of Shipping costs to the cost of sales starting April 2023. Please see our detailed disclosure in our Financial Statement notes. Our gross profit margins were lower in 2024 than in 2023 due to higher cost of sales in comparison to the sales revenue.



Selected Annual Information

We have summarized selected financial information from the company's consolidated financial statements, which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS).

Operating Results	Years ended March 31					
	2024		2023		2022	
	\$	% of sales	\$	% of sales	\$	% of sales
Sales	9,219,948	100.0	11,089,793	100.0	11,378,650	100.0
Cost of sales	8,417,184	91.3	9,151,176	82.5	9,266,706	74.7
Gross profit	802,764	8.7	1,938,617	17.5	2,111,944	25.3
Selling and distribution expenses	155,042	1.7	147,205	1.3	155,508	1.3
General and administrative expenses	796,062	8.6	859,977	7.8	855,885	7.5
Other expenses and (income)	152,964	1.7	95,337	0.9	141,452	1.3
Profit (loss) before tax	(301,304)	(3.3)	836,098	8.0	959,099	8.4
Income tax expense	(90,621)	(1.0)	261,548	2.2	265,879	2.3
Profit and comprehensive income	(210,683)	(2.3)	574,550	5.8	693,220	6.1
Earnings per share, basic	(0.006)		0.016		0.019	
Earnings per share, fully diluted	(0.006)		0.016		0.019	
Cash dividends paid per common share	0.00		0.015		0.025	

Financial Position	March 31		
	2024	2023	2022
	\$	\$	\$
Non-Current Assets	9,209,702	10,060,501	10,725,450
Current Assets	3,484,469	3,360,205	3,537,346
Total assets	12,694,171	13,420,706	14,262,796
Non-Current Liabilities	3,394,774	3,835,984	4,525,979
Current liabilities	1,678,744	1,753,386	1,945,644
Shareholders' equity	7,620,653	7,831,336	7,791,173

Sales

Sales were \$9,219,948 for the year ended March 31, 2024, a 16.9% decrease over the year ended March 31, 2023. The table below summarizes the sales of the company for the last five fiscal years.

	2024	2023	2022	2021	2020
	\$	\$	\$	\$	\$
Personal hygiene products	2,424,043	2,193,970	2,394,594	2,250,890	3,570,404
Clinical products	1,663,562	1,208,190	1,880,769	1,574,748	2,061,075
Wipe products	2,193,446	1,933,302	1,815,722	8,276,885	1,868,135
Non-clinical air-laid products	2,867,163	5,734,615	5,201,305	1,827,960	4,118,076
Other products	71,734	19,716	86,260	49,325	50,202
Total sales	9,219,948	11,089,793	11,378,650	13,979,808	11,667,892
Change over previous year	-16.9%	-2.5%	-18.6%	19.8%	2.7%

Sales were exceptional for the year ended March 31, 2021 due to a government supply contract for wet-wipe products that was not renewed. As a supplier of clinical and personal hygiene products, essential services, we have remained in operation during the covid-19 pandemic shut-downs, which started in March 2020. Compared to the previous year, sales of personal hygiene, clinical, wipe and other products have increased while sales of non-clinical airlaid products have decreased. The decrease in sales of non-clinical airlaid products (primarily airlaid parent rolls) has offset the increase in sales in all other product categories.

The decreased sales of airlaid parent rolls is a continued effect from one of our customer's change in ownership and ceasing to purchase from us since April 2023. With the decrease in airlaid parent roll sales, we now focus on developing additional end user markets which should yield higher profit margins. In addition, 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 these new markets. With improved staffing, we have been able to reduce our backlog of unshipped orders that persisted for several quarters in 2023.

In 2019, prior to covid-19, we committed to a disinfectant wipe production line because of the then existing market demands for these products. Most of our health care, janitorial and industrial customers carry these products. Covid-19 accelerated the demand for our ViroBan Plus disinfectant wipes which were introduced in late August 2020. We decided to support a government stockpiling contract for these wipes from August 2020 to January 2021. This contract was completed in January 2021 and sales continue at lower volumes with our regular distributors. Since then, demand for air laid food service products and personal wipes has increased significantly.

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 remain high and we are launching a rebranding of these products to aid in our marketing efforts.

Cost of Sales

The following table shows the components of cost of sales over the last five years.

	2024		2023		2022		2021		2020	
	\$	% sales								
Materials	4,163,527	45.2	4,829,167	43.5	5,141,268	45.2	5,287,611	37.9	5,882,856	50.4
Production labour	970,608	10.5	994,806	9.0	1,027,892	9.0	1,102,209	7.9	962,145	8.2
Factory overhead										
labour	501,762	5.4	483,711	4.4	472,864	4.2	589,335	4.2	463,599	4.0
Variable overhead	427,290	4.6	610,035	5.5	610,368	5.4	490,470	3.5	508,374	4.4
Fixed overhead	321,932	3.5	295,365	2.7	253,418	2.2	234,051	1.7	216,610	1.9
Shipping	790,746	8.6	806,944	7.3	770,955	6.8	663,992	4.8	789,249	6.8
Depreciation of										
- plant equipment	982,439	10.7	872,975	7.9	731,768	6.4	689,841	4.9	673,109	5.7
- right-of-use assets	258,880	2.8	258,173	2.3	258,173	2.3	258,174	1.8	258,881	2.2
Total cost of sales	8,417,184	91.3	9,151,176	82.6	9,266,706	81.5	9,315,683	66.7	9,754,823	83.6

*Cost of Sales for prior years updated to achieve a similar presentation to current year in terms of shipping cost. Refer to paragraph under "Accounting policies" later in this MD&A.

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 high as a percentage of sales due to higher costs of raw materials compared to the previous year.

Unfavourable paper yields, the amount of product that a certain weight of paper produces, increased materials costs by a factor of 0.3% of sales in 2024, 3.2% of sales in 2023, 2.9% of sales in 2022, 0.6% in 2021, and 1.5% in 2020. During part of the 2023, 2022 and 2020 fiscal years, we had difficulty purchasing paper in optimum grades and sizes, which meant we had to substitute more costly grades than standard, resulting in higher paper usage which caused higher than normal waste.

Paper prices have increased in all fiscal years since 2020. Paper prices can be volatile, additionally, our paper and pulp purchases are denominated in US dollars, which can fluctuate significantly. Our prices to our customers have been set to allow for paper cost increases of up to 10%.

Production labour in cost of sales averaged 10.5% in 2024, compared to 9% during 2023 and 2022, 7.9% during 2021, and 8.2% during 2020. Production labour cost as a percentage of sales increased in 2024, mainly because of overtime payments due to increased production in all product categories except airlaid parent rolls, offset by periodic shut-down of airlaid machine due to lack in demand for airlaid parent rolls. Production labour remained the same as a proportion of sales in 2023 due to a lower labour cost because of a shortage of workers, offset by wage rate increases for most production employees and overtime pay made necessary by the labour shortage. The decrease from 2020 to 2021 is from improved operating

efficiencies and, higher margins in 2021 and 2022 from our wet wipe product sales. The labour market near our factory has been tight during the last few years and it has taken extra time to find and train new machine operators. We increased our wage rates in 2023 in order to attract more employees.

Total factory overhead labour increased in 2024 mainly because of payments to a consultant for overseeing the production plant and assisting with sales and marketing. Increases in warehouse wages were offset by decreases in factory supervision and training wages and benefits. The increase in 2023 was due to the hiring of a production supervisor, a maintenance staff reallocation to full-time supervision, training of new staff and a general increase in wage rates. Factory overhead labour increased in 2021 as a percentage of sales due to higher wage rates and decreased in 2020 due to increased sales volume. Variable overhead normally fluctuates slightly from one period to the next. Variable overhead incurred in 2024 is lower than in the previous year mainly due to decreases in maintenance parts and contractor costs, electricity and gas costs, and factory overhead supplies. Costs in 2023, 2022, and 2020 are higher than previous years due to increased electricity and gas to operate the air-laid paper machine. Gas and electricity costs decreased in 2024 and 2021 due to lower air-laid production. Variable overhead also increased in 2023, 2022, 2021 and 2020 due to higher waste disposal costs.

Fixed overhead and depreciation changed significantly in 2020 due to the adoption of *IFRS 16 Leases*. We were required to capitalize our premises lease and separate the minimum payments into principal and interest, increasing depreciation expense and reducing rent expense. Depreciation increased by \$258,880 and rent decreased by \$317,382.

Fixed Overhead in 2024 includes \$24,600 in higher rent, and \$1,967 increase in insurance premiums. Fixed Overhead in 2023 includes \$42,396 in higher rent, while insurance premiums remained the same. Fixed overhead in 2022 includes \$14,056 in higher insurance premiums offset by \$5,311 in lower rent. Fixed overhead in 2021 includes \$17,035 in higher insurance premiums. Fixed overhead in 2020 includes \$11,189 in higher insurance premiums. Increases in depreciation expense are the result of bringing new equipment into use, disposal of equipment not in use, and the revision of the estimates of useful life of some equipment.

Selling and Distribution Expenses

Selling and distribution expenses were higher in 2024 than in 2023 because of a general increase in wages, and benefits, commissions and other costs.

General and Administrative Expenses

General and administrative expenses decreased in 2024 due to lower administration and office costs. It decreased in 2023 over 2022 due to a staff member being on maternity leave, staff vacations taken, offset by higher rates of pay.

We only deal with customers that we consider creditworthy and believe that we are not subject to significant risk due to bad debts. Nevertheless, during the year ended March 31, 2019, one of our customers entered into creditor protection proceedings. In 2021 the customer successfully refinanced its operations and paid 50% of the receivable. The remaining 50% was being paid in monthly instalments. The customer paid their outstanding balance in February 2023, with a resulting bad debt of \$1,727. We regularly monitor our receivables aging and discuss overdue accounts with senior-level customer personnel to encourage more prompt payment and to evaluate future creditworthiness. At March 31, 2024, trade and other receivables include \$285,716 that is more than 30 days past due, not including the receivables written off. We have provided for an expected credit loss (ECL) adjustment of \$30,000 as at March 31, 2024. The ECL adjustment created on March 31, 2023 was reversed in 2024 because we received payment for the doubtful amount. A majority of the outstanding balance is from a long-time customer who accounts for more than 10% of our annual sales. We believe that we will eventually receive full payment of these amounts.

During the year ended March 31, 2024 professional fees include \$17,592 paid to DuMoulin Black LLP, a law firm with which J. Douglas Seppala, one of our directors, is associated. The payments represent fees for legal services provided to the company at rates normally charged to arm's length parties. During the year ended March 31, 2024, the company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, stock options, taxes and perquisites), of \$412,766 to key management personnel, comprising the chief executive and chief financial officer and the directors of the company. \$406,460 of the compensation is included in general and administrative salaries and employee benefits, nil is included in administration and office and \$6,306 is included in other selling and distribution expenses.

Other Income and Expenses

We are exposed to fluctuations in the US/Cdn dollar exchange rates as portions of our cash, trade and other receivables, prepaid expenses and trade and other payables are denominated in US dollars. While the amounts of exposure change on a daily basis, in 2024 we generally had more US dollar financial liabilities than US dollar assets. Over the past year, our exposure ranged from US\$149,218 net assets to \$330,424 net liabilities and averaged US\$38,006 net liabilities (calculated on a monthly basis) and, at March 31, 2024, net assets were US\$149,218. Each change of 1% (e.g., a change from US\$1.00 = Cdn\$1.35 to Cdn\$1.25) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn\$1,492 on an exposure of US\$149,218. The US dollar financial assets generally result from sales to US customers and prepayments to international suppliers. The US dollar financial liabilities generally result from purchases of raw materials from US and international suppliers.

Interest on our revolving bank loan fluctuates with the prime rate of interest. We entered into an interest rate swap during the year ended March 31, 2018 that effectively fixed the rate of interest on the term bank loan at 3.88% until November 22, 2022. At the expiration of the swap agreement, the balance of \$535,700 was converted into a term loan payable monthly until August 2023 at a fixed interest rate of 6.159%. The final payment of the loan was made on August 31, 2023. There is no outstanding balance as at March 31, 2024.

Interest expense on the lease liabilities recognized on adoption of *IFRS-16_Leases*, calculated at 4.45% per annum, was \$85,460 during 2024 and \$96,596 during 2023.

Liquidity and Capital Resources

Our operating cash flows were \$642,891 during the year ended March 31, 2024, an average of \$53,574 per month, compared to \$185,276 per month during 2023, before accounting for fluctuations in non-cash working capital. At March 31, 2024 we had cash of \$111,001 and working capital of \$1,805,725 compared to cash of \$73,471 and working capital of \$1,606,819 at March 31, 2023. The increase is due to sales and cost of sales activity, equipment purchases, and term loan interest and principal payments, offset by operating cash flows.

We have temporarily suspended dividend payments to ensure we can complete important, planned capital projects that will increase our product-line and subsequently, our sales. We intend to spend around \$300,000 on equipment over the next year, which we will finance from operating cash flows, supplemented by our revolving bank loan facility.

We plan to re-invest our surplus cash flow in new equipment to continue to expand the company's product lines and improve efficiency to pay dividends.

We have a revolving bank loan facility of \$1,500,000. The loan outstanding at any time may not be greater than the total of 75% of accounts receivable and 50% of inventory, less accounts payable having priority over the bank, such as to governments and employees. Accounts receivable older than 90 days and inventory in excess of \$750,000 are not included in the calculation. Substantially all of our assets are pledged as collateral. The amount currently available based on the March 31, 2024 Consolidated Statement of Financial Position is \$1,366,144. \$670,000 was outstanding under this facility at March 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 and accounts payable by an additional \$400,000. We purchase our 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 which was used for the purchase of our binder bonded air-laid paper making machine. Repayment of the loan and interest was in monthly instalments of \$61,500 until August 22, 2023. A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of our assets were pledged as collateral. This loan is now fully repaid.

We have covenanted with the bank to maintain our consolidated ratio of current assets to current liabilities at 1.20:1 or higher, our consolidated ratio of debt (including deferred tax liability) to shareholders' equity at 2.00 or lower and our consolidated ratio of net income before extraordinary and other non-recurring items plus interest, income tax, depreciation and amortization (EBITDA) to interest expense plus the current portion of long term debt and capital leases at 1.25:1 or higher. We are in compliance with all of these covenants at March 31, 2024 and do not anticipate difficulty maintaining this compliance during the

forthcoming year. If we are not compliant with these covenants, and are unable to obtain a waiver from the bank, the loan will become payable on demand.

We intend to spend around \$300,000 for production equipment additions and improvements during the next year, which we will finance from operating cash flows.

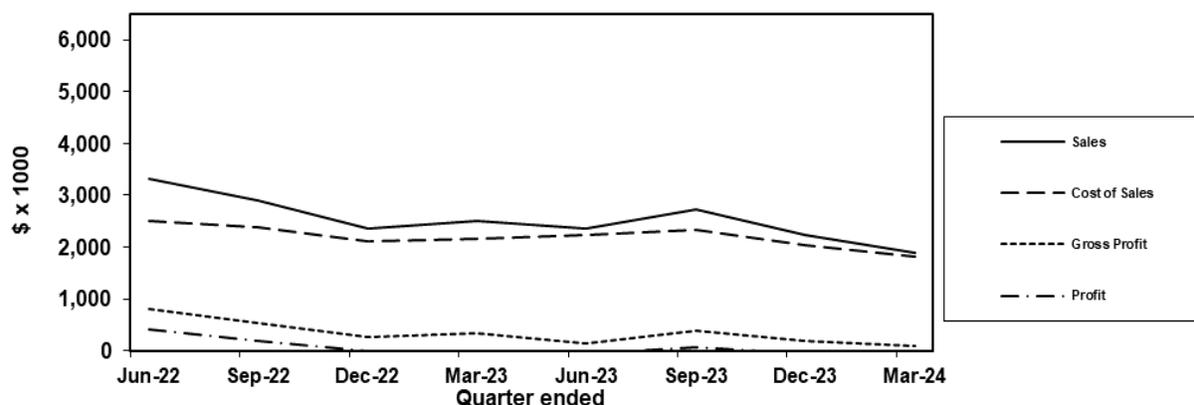
Summary of Quarterly Results

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							
	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022
Sales	1,896	2,239	2,718	2,367	2,510	2,360	2,898	3,321
Cost of sales	1,817	2,041	2,322	2,237	2,166	2,099	2,372	2,514
Gross profit	79	198	396	130	344	261	526	807
Selling and distribution expenses	30	35	46	44	39	40	35	34
General and administrative expenses	242	204	201	149	269	193	202	196
Operating profit (loss)	(193)	(41)	149	(63)	36	27	289	577
Other expenses (income)	48	29	44	31	2	45	37	11
Profit (loss) before tax	(241)	(70)	103	(94)	34	(18)	252	566
Income tax expense (recovery)	(76)	(18)	28	(25)	40	1	69	152
Profit (net loss)	(165)	(52)	75	(69)	(6)	(19)	183	414
Earnings (loss) per share, basic and fully diluted - Cdn\$	(0.005)	(0.001)	0.002	(0.002)	-	(0.001)	0.005	0.012
Dividends paid per share - Cdn\$	-	-	-	-	-	-	0.005	0.005
Sales - % change over previous quarter	-15.3	-17.6	14.8	-5.7	6.4	-18.6	-12.7	16.8

Costs, expenses and net income - % of Sales

Cost of sales	95.8	91.2	85.4	94.5	86.3	89.0	81.8	75.7
Selling and distribution expenses	1.6	1.6	1.7	1.9	1.5	1.7	1.2	1.0
General and administrative expenses	12.8	9.1	7.4	6.3	10.7	8.2	7.0	5.9
Other expenses (income)	2.5	1.3	1.7	1.3	0.1	1.9	1.3	0.3
Income tax expense	(4.0)	(0.8)	1.0	(1.1)	1.6	0.0	2.4	4.6
Profit	(8.7)	(2.3)	2.8	(2.9)	(0.2)	(0.8)	6.3	12.5



*Cost of Sales for prior years updated to achieve a similar presentation to current year in terms of shipping cost. Refer to paragraph under "Accounting policies" later in this MD&A.

Sales for the three months ended March 31, 2024 were 24.5% lower than for the same period last year. Compared to the previous quarter, our sales were lower because of lower airlaid parent roll demand and the inability to ship other products due to challenges with shipping staff. The cost of sales has been 4.6%

higher when compared to the level of sales over the previous quarter. Materials, production labour, shipping and variable overhead costs were lower, offset by an increase in factory overhead labour. Selling and distribution costs in quarter four is lower than in quarter three. The increase in general and administrative expense is mainly because of vacations taken in quarter three, offset by a decrease in corporate promotion and professional fees. Compared to the previous quarter, quarter four has a foreign exchange loss, an increase in interest expense on revolving bank loan account and a reduction in interest on lease liabilities.

Share Capital and Outstanding share data

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

	<u>June 20, 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.

Related Party Transactions

During the year ended March 31, 2024:

The company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, stock options, taxes and perquisites), of \$412,766 (2023 – \$418,318) to directors and officers of the company; and

The company incurred \$17,592 (2023 – \$19,071) of legal fees in the normal course of operations with a firm with which a director of the company was associated.

Accounting policies

The company's material accounting policies are disclosed in Note 3 of the company's consolidated financial statements.

Starting April 1, 2023, in order to achieve better categorization and measurement of cost of sales, the company presents "Shipping costs" as part of Cost of sales in the Statement of (loss) profit and comprehensive (loss) profit. For equitable comparison in these consolidated financial statements, all related amounts reported from previous periods were reclassified to reflect a similar presentation. The adjusted presentation (involving the presentation of shipping cost to the amount of \$807 thousand) had no impact on Operating profit or Net Profit and Comprehensive Profit for the comparative year and had no impact on the statement of financial position.

Financial Instruments and risk management

The company has various financial instruments including trade and other receivables, cash and cash equivalents, revolving bank loans, and trade and other payables. Cash and cash equivalents are at fair value. Trade and other receivables and financial liabilities are carried at amortized cost.

Cash and cash equivalents are held with a major financial institution. Trade and other receivables are the result of sales to a relatively wide customer base, primarily in North America. The company only deals with customers that it considers creditworthy. During the year ended March 31, 2024 the company recognized impairment loss of nil (2023 – loss of \$514) on trade receivables and provided for an expected credit loss (ECL) adjustment of \$30,000 as at March 31, 2024 (2023 - \$50,000). At March 31, 2024 \$94,392 (2023 – \$87,234) of trade and other receivables were between 31 and 60 days past due and \$191,324 (2023 – \$150,649) were more than 60 days past due, not including the receivables written off. At March 31, 2024 the amount of \$410,028 was due from two customers collectively (2023 – \$421,495, one customer) who represented more than 10% of trade and other receivables. These two customers represented 36% of the

trade and other receivables (2023 – 37%). These customers are long standing customers who consistently make regular payments.

The company's revolving bank loan is at interest rates that fluctuate with market interest rates.

Portions of the company's cash and cash equivalents, trade and other receivables, prepaid expenses and trade and other payables are denominated in US dollars; accordingly, the company is exposed to fluctuations in the US/Cdn dollar exchange rates. While the amounts of exposure change on a daily basis, in this reporting period, the company has more US dollar financial liabilities than US dollar assets. Over the past year, the exposure ranged from US\$149,218 net assets to \$330,424 net liabilities and averaged US\$38,006 net liabilities (calculated on a monthly basis) and, at March 31, 2024, net assets were US\$149,218. Each change of 1% (e.g., a change from US\$1.00 = Cdn\$1.35 to Cdn\$1.25) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn\$1,492 on an exposure of US\$149,218. During the year ended March 31, 2024 the company realized foreign exchange loss of \$5,750 (2023 –gain of \$5,765). The US dollar financial assets generally result from sales to US customers and prepayments to international suppliers. The US dollar financial liabilities generally result from purchases of raw materials from US and international

Off-balance sheet arrangements

As at March 31, 2024 and the date of this MD&A, the company did not have any off-balance sheet arrangements.

Controls and Procedures

In connection with Exemption Orders by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Management's Responsibility for the Financial Statements

The Audit Committee is responsible for reviewing the contents of this document along with the consolidated financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight. There have been no changes in the Company's disclosure controls and procedures during the year ended March 31, 2024.

Risk Factors

In addition to factors discussed elsewhere in this MD&A, the following risk factors, which are not exhaustive, could materially affect the company's business, financial condition or results of operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks include but are not limited to the following:

The market for our common shares is subject to volume and price volatility which could affect a shareholder's ability to buy or sell our shares.

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as the Company, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, our common shares can also be subject to volatility resulting from purely market forces over which we will have no control.

Information Systems Security Threats

As a result, cyber security and continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attacks, damage or unauthorized access remain a priority. As the threat landscape is ever-changing, the company may be

required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Climate change

Regulations and taxes developed to regulate the transition to a low-carbon economy and energy efficiency may result in increased operation costs including environmental monitoring, increased reporting and other costs to comply with such regulations. Westbond is committed to being a responsible company in everything it does.

Epidemic diseases such as the recent COVID-19

The Company's business could be impacted by the effects of epidemic diseases such as COVID-19 which had a significant impact on businesses and people through the restrictions put in place by governments of most countries regarding travel, business operations, social distancing and quarantine orders. Epidemic diseases could impact the Company's product demand, as well as cause supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also positively or negatively impact the company's business and financial condition.

Geopolitical risks

Uncertainties resulting from war conflicts such as the Russia-Ukraine and Israel-Palestine conflicts. Although the Company does not have operations in those countries, the global impact of these wars in commodity prices, foreign currency exchange rates, supply chain challenges and increased prices may have adverse impacts on our costs of doing business

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.