



WestBond Enterprises Corporation

Quarterly Report September 30, 2025

Management Discussion and Analysis

Dated November 4, 2025 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Period Ended September 30, 2025

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 2025 Annual Report. A pdf version of the 2025 Annual Report may be downloaded from our website at www.westbond.ca or from the SEDAR website at www.sedarplus.com. For a printed copy, please contact the Company. Additional information on the Company is also available on our website and on the SEDAR website.

Discussion of Operations and Financial Condition

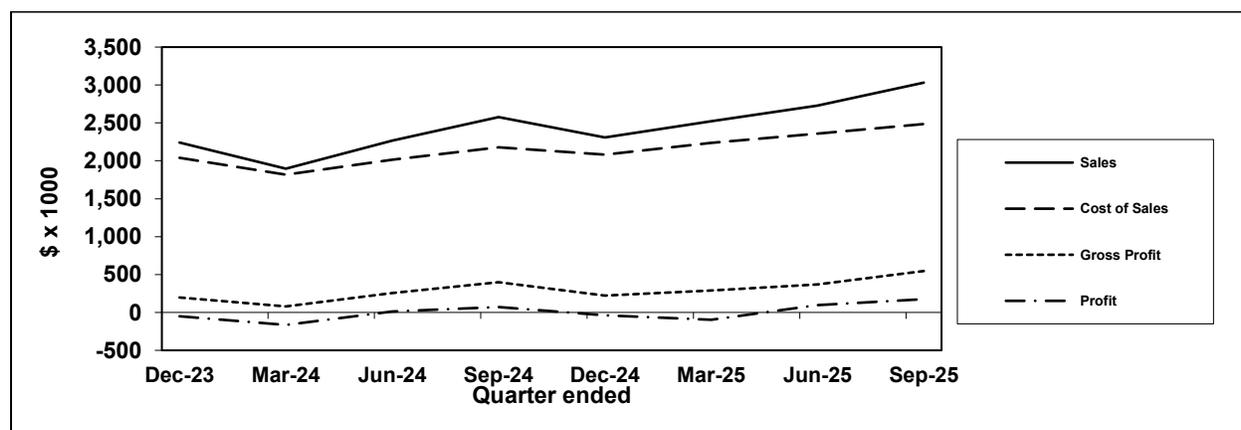
You should refer to our interim consolidated financial statements for the three and six month period ended September 30, 2025 and our consolidated financial statements for the year ended March 31, 2025 while you read this discussion. Those financial statements provide significant material information 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 2025 Annual Report. Information included in that discussion is only updated in this discussion. Information that has not changed materially since June 24, 2025, the date of the Management Discussion and Analysis in the 2025 Annual Report, is not repeated here.

Sales were \$3,030,669 for the three months ended September 30, 2025, which is 11.1% higher than for the three months ended June 30, 2025. We realized a profit of \$174,630 (\$0.005 per share) for the three months ended September 30, 2025 compared to a profit of \$71,060 (\$0.002 per share) for the same period last year, and a profit of \$97,710 (\$0.003 per share) for the previous quarter ended June 30, 2025. The increase in profit compared to last quarter ending June 30, 2025 is a result of an increase in sales in personal hygiene, wipes, and napkins and parent rolls (air-laid) categories, offset by a decrease in sales in clinical and other 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	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31
	2025	2025	2025	2024	2024	2024	2024	2023
Sales	3,031	2,727	2,523	2,306	2,577	2,267	1,896	2,239
Cost of Sales	2,485	2,357	2,235	2,082	2,179	2,013	1,817	2,041
Gross Profit	546	370	288	224	398	254	79	198
Selling and distribution expenses	48	53	36	42	48	41	30	35
General and administrative expenses	235	170	329	193	222	161	242	204
Operating profit	263	147	(77)	(11)	128	52	(193)	(41)
Other expenses	23	13	18	43	30	34	48	29
Profit before Tax	240	134	(95)	(54)	98	18	(241)	(70)
Income Tax Expense	65	37	-	(14)	27	5	(76)	(18)
Profit	175	97	(95)	(40)	71	13	(165)	(52)
Earnings per share, basic and diluted-Cdn\$	0.005	0.003	(0.003)	(0.001)	0.002	0.000	(0.005)	(0.001)
Dividends paid per share - Cdn\$	-	-	-	-	-	-	-	-
Sales % change over previous quarter	11.12	8.11	9.42	(10.55)	13.67	19.60	(15.30)	(17.60)
Costs, expenses and net income - % of Sales								
Cost of Sales	82.0	86.4	88.6	90.3	84.5	88.8	95.8	91.2
Selling and distribution expenses	1.6	1.9	1.4	1.8	1.9	1.8	1.6	1.6
General and administrative expenses	7.7	6.2	13.1	8.3	8.6	7.1	12.8	9.1
Other expenses	0.7	0.5	0.7	1.9	1.1	1.5	2.5	1.3
Income Tax Expense	2.2	1.4	-	(0.6)	1.1	0.2	(4.0)	(0.8)
Net profit	5.8	3.6	(3.8)	(1.7)	2.8	0.6	(8.7)	(2.3)



Sales

Sales for the three months ended September 30, 2025 were 17.6% higher than for the same period last year and 11.1% higher than the previous quarter, ended June 30, 2025. The increase in profit compared to last quarter ending June 30, 2025 is a result of an increase in sales in personal hygiene, wipes, and napkins and parent rolls (air-laid) categories, offset by a decrease in sales in clinical and other categories. Due to an increase in demand for our products and an expected increase in sales, we are in the process of hiring additional production employees.

We continue to invest in faster, more efficient new equipment to add to our diverse line of products. The new equipment will add capacity to support our new markets.

We continue to supply customized air-laid napkins to high-profile national restaurant chains with the potential to increase sales in this category. Additionally, major American restaurant supply distributors have placed orders for our air-laid napkins. Demand for our products remains high and we continue to rebrand our 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		
	2025	2024		2025	2024	
<u>Product Line</u>	\$	\$		\$	\$	
Personal Hygiene	743,033	548,236	35.5%	1,329,617	1,123,547	18.3%
Clinical	411,142	269,434	52.6%	836,561	603,098	38.7%
Wipes	561,137	499,265	12.4%	1,113,509	1,061,147	4.9%
Napkins & Parent rolls (Air-laid)	1,313,507	1,243,323	5.6%	2,472,908	2,037,707	21.4%
Other	1,850	17,090	-89.2%	5,488	19,225	-71.5%
	<u>3,030,669</u>	<u>2,577,348</u>	<u>17.6%</u>	<u>5,758,083</u>	<u>4,844,724</u>	<u>18.9%</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 relatively low labour component. Compared to the same quarter in 2024, the total cost of sales has increased, but is lower as a percentage of sales in this quarter ended September 2025.

Cost of Sales	Three Months ended September 30		Six Months ended September 30	
	% of Sales			
	2025	2024	2025	2024
Materials	43.9%	43.5%	44.3%	44.1%
Production labour	10.2%	9.3%	10.1%	9.3%
Factory overhead labour	4.1%	4.8%	4.4%	5.0%
Variable overhead	4.1%	4.2%	4.4%	4.2%
Fixed overhead	3.2%	3.3%	3.4%	3.6%
Shipping	7.4%	7.7%	7.7%	7.7%
Depreciation of plant equipment	7.0%	9.2%	7.4%	9.8%
Depreciation of right of use assets	2.1%	2.5%	2.2%	2.7%
Gross Profit	<u>18.0%</u>	<u>15.5%</u>	<u>15.9%</u>	<u>13.5%</u>

Selling and Distribution Expenses

Selling and distribution expenses during the three months ended September 30, 2025 were 1.6% of sales, compared to 1.9% for the three months ended September 30, 2024. The percentage cost in 2025 was lower due to increased sales, despite the increase in miscellaneous sales expenses and product development costs when compared to September 2024.

General and Administrative Expenses

Administrative and office expenses are higher in the three months ended September 30, 2025 than in the quarter ended September 30, 2024, mainly due to an increase in salaries and benefits of administrative employees, and director fees. A former consultant's compensation is now categorised as administrative cost since he is now an employee of the Company.

During the three months ended September 30, 2025 the Company incurred total short-term employee benefits of \$112,724 (2024 – \$113,168) to its key management personnel, comprising the directors and officers of the company. Subsequent to March 2025, Mr. J. Douglas Seppala is not associated with DuMoulin Black LLP (a law firm with which Mr. Seppala, a director of the company, was associated) and does not provide legal services to the Company. Any remuneration paid to Mr. Seppala is for acting in his capacity as a member of the board of directors of the Company or committees thereof.

Other Income and Expenses

Fluctuations in the US dollar exchange rate resulted in a \$6,447 loss during the three months ended September 30, 2025, compared with a \$5,711 loss in the same period last year. Compared to the previous quarter ending June 30, 2025, interest expense on bank loan is lower because of a lower balance on the revolving bank loan. Interest on lease liabilities is lower in 2025 than 2024 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 \$500,906 during the three months ended September 30, 2025, an average of \$166,969 per month, compared to an average of \$107,978 per month during the year ended March 31, 2025. The increase is mainly as a result of an increase in sales. We had working capital of \$2,780,726 at September 30, 2025, compared to \$2,304,638 at March 31, 2025. The change is mainly due to increased inventory, trade receivables and payables, prepaid expenses, income tax payable, and cash and cash equivalents, offset by decreased (nil) revolving bank loan balance.

We intend to spend around \$500,000 on production equipment additions and improvements over the current year, which we may 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, 2025, is \$1,500,000. 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. Nil was outstanding under the revolving bank loan facility at September 30, 2025.

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.

At September 30, 2025 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 4, 2025</u>
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	1,325,000
Shares available for future stock option grants	2,237,580

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

Other Information

Additional information relating to the Company is available on SEDAR at www.sedarplus.com and on the Company's website at www.westbond.ca.