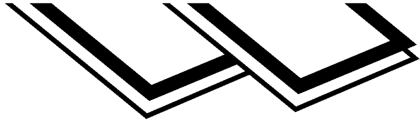

WESTBOND ENTERPRISES CORPORATION

2013 Annual Report

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WestBond Enterprises Corporation

Management Discussion and Analysis

dated July 15, 2013, to accompany the consolidated financial statements for the year ended March 31, 2013

Caution Regarding Forward Looking Statements – ***This discussion includes statements about our expectations for the future. We believe that our expectations are reasonable; however, actual outcomes may differ materially from our expectations due to changes in operating performance, availability of and prices for raw materials, availability of trained labour, US$/Cdn$ exchange rate fluctuations, unexpected competition, and other technical, market and economic factors.***

Description of Our Business

We, WestBond Enterprises Corporation ("WestBond" or the "Company"), are a paper converter that supplies disposable paper products to 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 and we also sell to larger end-users on a direct basis.

Our product lines include clinical products such as examination table paper, dental bibs, 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).

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 or 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 these customers' specifications. Our current focus for expansion in this market is Canada and western USA. We will also pursue opportunities to supply these products directly to smaller hotel, motel and restaurant chains.

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. Long-term care products are sold in Canada and the USA.

Our plant comprises a variety of equipment that enables us to provide a comprehensive range of products for each of our product lines. In 2012 fiscal year we added equipment that allows us to utilize a wider variety of paper supplies, enabling us to take advantage of better raw material pricing opportunities. We intend to add equipment in the 2014 fiscal year that will allow us to produce facial tissue and other air laid products.

Personal Hygiene Products – WestBond 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 medical distributors who wanted to increase their purchasing ability with us. We evaluated this potential and determined that the medical industry had 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 and folded hand 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. 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, dentists, 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.

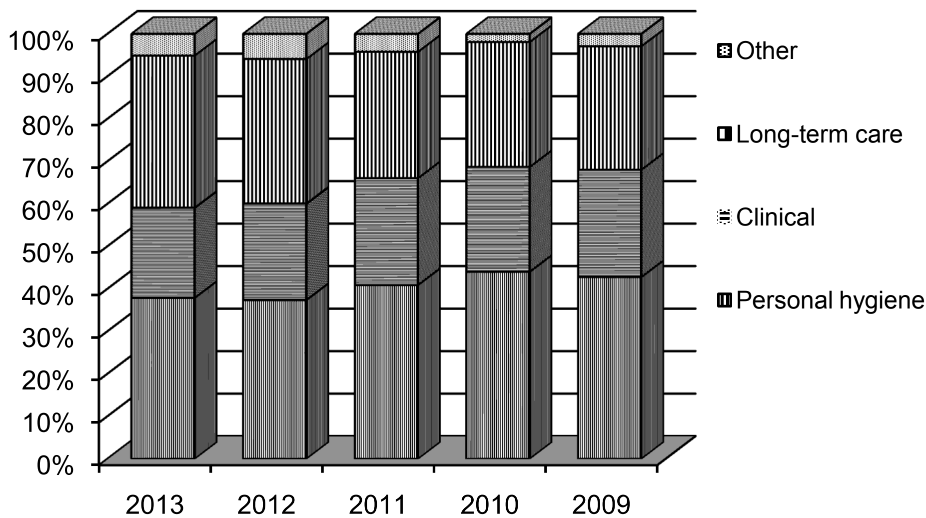
Products in this group are sheets, examination table paper, pillowcases, dental bibs, aprons, gowns, and drapes. The equipment is able to convert roll format as well as sheet format products in many case pack and roll length configurations.

Long-Term Care 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, mitts and underlays. All products are made with very high quality air laid paper which results in very soft, very 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.

These three 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, 2009 through 2013.

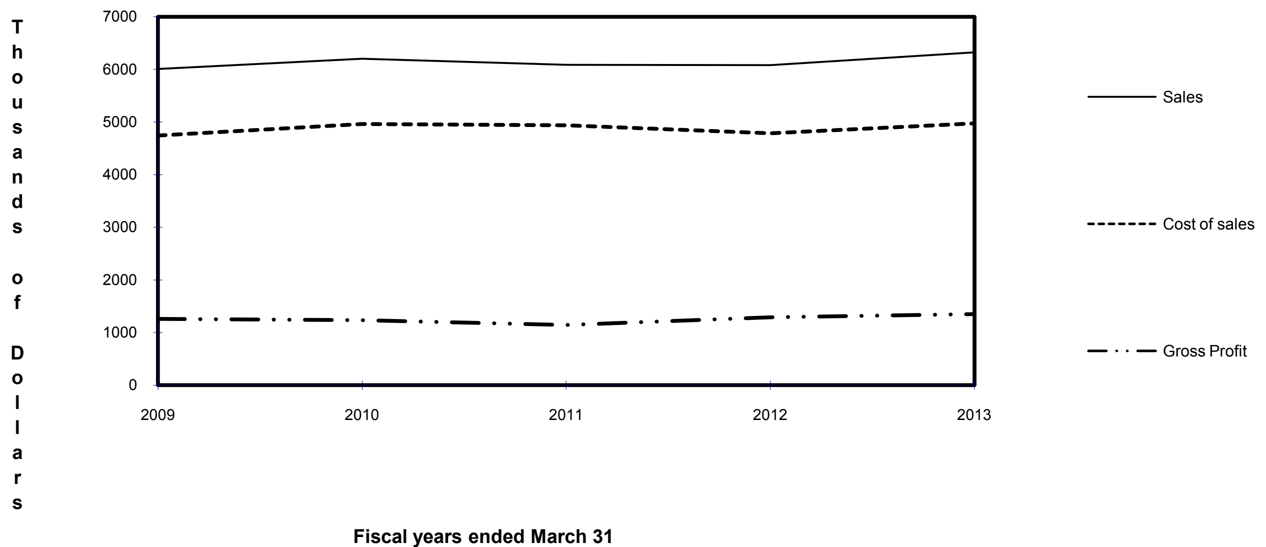


Discussion of Operations and Financial Condition

You should refer to our consolidated financial statements for the year ended March 31, 2013 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.

Our profit for the year ended March 31, 2013 was $120,662, compared to $124,135 for the year ended March 31, 2012. Our gross profit margin realized during 2013 was 21.4%, compared to 21.2% for 2012 and 18.8% for 2011. Our gross profit margins have improved due to increased prices and lower raw materials costs. Sales volume growth had been hampered by competition from US and Chinese product. The low value of the US dollar makes their product cheaper in Canada, which has impeded our sales. Additionally, our sales into the US market, which are priced in US dollars, result in lower Canadian dollar margins.

Sales, Cost of Sales and Gross Profit



Selected Annual Information
(Unaudited)

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, 2013 $	2013 % of sales	2012 $	2012 % of sales	2011 $	2011 % of sales
Sales	6,324,479	100.0	6,078,464	100.0	6,085,350	100.0
Cost of sales	4,972,877	78.6	4,786,881	78.8	4,939,413	81.2
Gross profit	1,351,602	21.4	1,291,583	21.2	1,145,937	18.8
Selling and distribution expenses	594,695	9.4	545,580	9.0	537,459	8.8
General and administrative expenses	594,722	9.4	562,889	9.3	547,522	9.0
Other (income) and expenses	(1,526)	0.0	14,322	0.2	21,530	0.3
Profit before tax	163,711	2.6	168,792	2.7	39,426	0.7
Income tax expense	43,049	0.7	44,657	0.7	10,411	0.2
Profit and Comprehensive Income	120,662	1.9	124,135	2.0	29,015	0.5
Earnings per share, basic and diluted	0.011		0.011		0.003	
Cash dividends declared per common share	nil		nil		nil	

Financial Position	March 31, 2013 $	2012 $	2011 $
Non-Current Assets	2,588,852	2,712,512	2,517,161
Current Assets	2,118,489	2,043,675	1,867,112
Total assets	4,707,341	4,756,187	4,384,273
Non-Current Liabilities	513,428	486,083	441,426
Current liabilities	1,031,871	1,228,724	1,025,602
Shareholders' equity	3,162,042	3,041,380	2,917,245

Sales

Sales were $6,324,479 for the year ended March 31, 2013, a 4.0% increase over the year ended March 31, 2012. The table below summarizes the sales of the Company for the last five fiscal years.

	2013 $	2012 $	2011 $	2010 $	2009 $
Personal hygiene products	2,396,857	2,272,271	2,490,393	2,728,938	2,568,791
Clinical products	1,342,068	1,380,663	1,530,226	1,529,217	1,515,758
Long-term care products	2,264,003	2,067,114	1,809,194	1,822,673	1,744,811
Other products	321,551	358,415	255,537	117,497	173,948
Total sales	6,324,479	6,078,464	6,085,350	6,198,326	6,003,308
Change over previous year	4.0%	-0.1%	3.2%	4.6%	-8.9%

Sales increased in personal hygiene and long-term care products and decreased in clinical and other products. The increase in personal hygiene products is caused by decreased competition from US and Chinese producers. The long-term care market continues strong due to the aging population. Approximately 23% of our sales are in priced in US dollars, mainly in the personal hygiene and long-term care products, which makes us susceptible to fluctuations in the Canadian dollar value of the US dollar.

Cost of Sales

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

	2013		2012		2011		2010		2009	
	$	% sales	$	% sales	$	% sales	$	% sales	$	% sales
Materials	3,326,153	52.6	3,189,726	52.5	3,336,987	54.8	3,362,612	54.2	3,225,162	53.7
Production labour	458,586	7.3	492,228	8.1	512,835	8.4	543,802	8.8	490,067	8.2
Factory overhead labour	262,869	4.2	257,186	4.2	284,285	4.7	253,980	4.1	221,141	3.7
Variable overhead	160,293	2.5	153,867	2.5	146,876	2.4	159,931	2.6	166,536	2.8
Fixed overhead	451,536	7.1	442,116	7.3	435,085	7.2	388,175	6.3	378,943	6.3
Depreciation	313,440	4.9	251,758	4.2	223,345	3.7	253,894	4.1	261,464	4.3
Total cost of sales	4,972,877	78.6	4,786,881	78.8	4,939,413	81.2	4,962,394	80.1	4,743,313	79.0

Materials are the most significant component of cost of sales. Bulk paper is our main materials cost. Personal hygiene products and examination table paper have a high materials component and a low labour component. By comparison, gowns, drapes, mitts, sheets and pillowcases have a higher labour component and a relatively lower materials component.

Paper prices, our most significant materials cost, were relatively stable in our 2013 and 2012 fiscal years, after having increased every year since 2006. Paper prices can be volatile. Our prices to our customers have been set to allow for paper cost increases of up to 10%. Materials costs also fluctuate from differences in the yield factors (the amount of product that a certain weight of paper will produce).

Two of our paper suppliers closed local paper machines that supplied us and we now have to import more of our paper from the eastern United States and China, which increases our exposure to delivery delays and to fluctuations in US dollar exchange rates. We have expanded our range of paper suppliers and have increased our raw paper inventories in an attempt to ensure an uninterrupted supply of paper; however, the inability to obtain paper at our current input prices may result in lost product sales or in higher materials costs.

Production labour in cost of sales averaged 7.3% of sales during 2013 which is a decrease from 8.1% in 2012, primarily caused by improved employee productivity and the addition of more efficient machinery. 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. If we are unable to hire sufficient machine operators, we will not be able to produce additional products for sale.

Factory overhead labour increased in 2011 from the addition of a full-time factory raw materials handler. We discontinued this position in 2012 as we did not realize the expected savings in production labour efficiency. Variable overhead normally fluctuates slightly from one period to the next.

Higher rent added $8,369 to fixed overhead in 2013, $7,970 in 2012, and $48,825 in 2011. Other fluctuations in fixed overhead are due to differences in insurance premiums. Increases in depreciation expense are the result of bringing new equipment into use. Depreciation expense decreased in 2011 because we extended our estimates of the economic life of much of our equipment.

Selling Expenses

Shipping costs are higher in 2013 than in 2012 because of increased shipping rates and “fuel surcharges” and because sales to Central and Eastern Canada have increased while local sales have decreased. Sales commissions were higher in 2013, primarily to agents for customers in Central and Eastern Canada.

General and Administrative Expenses

Credit card fees, insurance, business development expenses and a loss on a payment made to a machine supplier caused our general and administrative costs to increase in 2013 over 2012. Professional fees were higher due to the audit of our transition to IFRS and business development activities. Salaries and other employee benefits were lower due to decreased staffing levels.

Business development expenses comprise travel costs of $18,366 included in administration and office and consulting fees of $4,140 included in professional fees, which were incurred primarily to source

equipment and paper suppliers in Asia. We suffered a loss of $35,373, included in administration and office, when a payment made for a machine purchase to one of our Asian suppliers was diverted by an unidentified outside source. We continue to investigate but have so far been unable to resolve the issue.

We only deal with customers that we consider creditworthy and believe that we are not subject to significant risk due to bad debts. Recent general economic conditions may cause some of our customers to be less creditworthy. 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, 2013, trade and other receivables include $30,412 that is more than 30 days past due and against which we have made no allowance for loss. We believe that we will eventually receive full payment of these amounts. During 2013 we had no bad debt losses compared to losses of $5,367 for 2012.

During the year ended March 31, 2013, professional fees include $9,052 paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, one of our directors, is a partner. 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, 2013, the Company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, taxes and perquisites), of $323,637 to key management personnel, comprising the chief executive and chief financial officers and the directors of the Company. $295,101 of the compensation is included in general and administrative salaries and employee benefits, $22,044 is included in administration and office and $6,492 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, accounts receivable and accounts payable are denominated in US dollars. While the amounts of exposure change on a daily basis, we generally have more US dollar financial assets than US dollar liabilities. Over the past year, our exposure ranged from US$220,000 net assets to US$35,000 liabilites and averaged approximately US$185,000 net assets (calculated on a quarterly basis). Each change of 1% (e.g., a change from US$1.00 = Cdn$0.99 to Cdn$0.98) 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$350 on an exposure of US$35,000. During the year ended March 31, 2013 we realized a loss of $9,970 compared to a gain of $4,005 in 2012. The US dollar financial assets generally result from sales to US customers. The US dollar financial liabilities generally result from purchases of raw materials from US suppliers.

We realized a gain of $30,426 during the year ended March 31, 2013 from the disposal of an old, almost fully depreciated, lift truck that had caught fire and was not repairable. Our replacement cost insurance paid for a brand new lift truck.

Interest on our bank indebtedness fluctuates with the prime rate of interest. At the levels of this debt at March 31, 2013, a 1% increase in the prime rate of interest would increase total interest expense by $3,537 per year.

Liquidity and Capital Resources

Our operating cash flows were $447,940 during the year ended March 31, 2013, an average of $37,328 per month, compared to $35,632 per month during 2012, before accounting for fluctuations in non-cash working capital. At March 31, 2013, we had cash of $76,157 and working capital of $1,086,618 compared to cash of $98,183 and working capital of $814,951 at March 31, 2012.

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

We have a revolving bank loan facility of $1,000,000, of which $237,000 was used at March 31, 2013. The loan outstanding at any time may not be greater than the total of 75% of Canadian accounts receivable, 50% of US 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 $700,000 are not included in the calculation. Substantially all of the Company's assets are pledged as collateral for the revolving bank loan facility.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $200,000 and accounts payable by an

additional $200,000. 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 also have a $116,660 non-revolving term loan facility that we used to partially finance the purchase of equipment during 2012. The loan is repayable in monthly instalments of principal of $5,556 until August 30, 2013 at which time the then remaining principal and interest is due. The loan bears interest at bank prime plus 1%, payable monthly. A fixed charge on the specific equipment purchased is pledged as collateral.

We currently plan to spend a total of approximately $200,000 on equipment expansions and improvements during the year ending March 31, 2014. We intend to finance these additions from operating cash flows. We may acquire additional equipment, if worthy new product opportunities arise. Financing for additional equipment would be available through operating cash flow, additional term loans and equity.

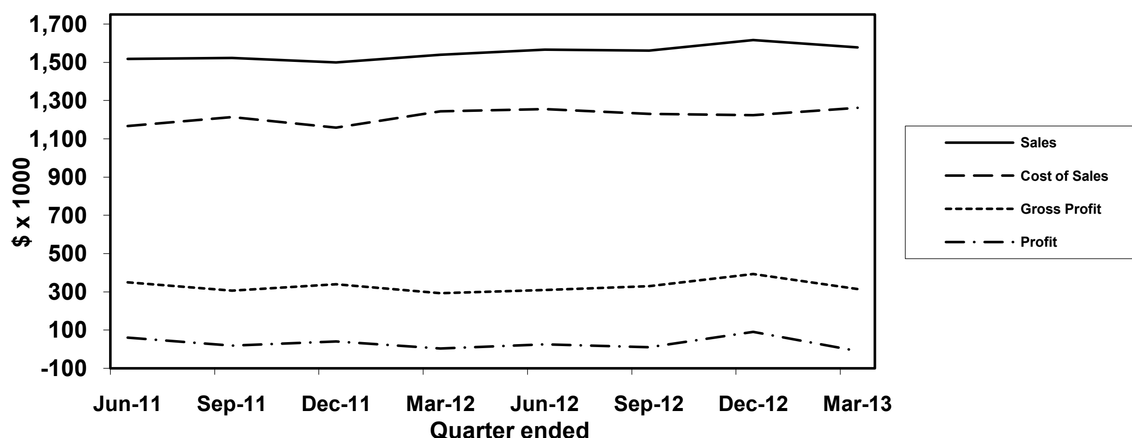
New Accounting Policies

We did not adopt any new accounting policies during the year ended March 31, 2013 and we do not expect to adopt any new accounting policies during the year ending March 31, 2014.

Summary of Quarterly Results
(Unaudited)

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 2013	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**	**Mar 31 2012**	**Dec 31 2011**	**Sep 30 2011**	**Jun 30 2011**
Sales	1,579	1,617	1,562	1,566	1,539	1,499	1,523	1,517
Cost of sales	1,263	1,224	1,231	1,256	1,245	1,159	1,215	1,167
Gross profit	316	393	331	310	294	340	308	350
Selling and distribution expenses	148	150	160	136	137	137	139	133
General and administrative expenses	170	150	137	138	146	139	146	132
Other expenses (income)	10	(28)	17	-	7	7	(5)	5
(Loss) profit before tax	(12)	121	17	36	4	57	28	80
Income tax (recovery) expense	(2)	30	6	10	1	15	8	21
(Loss) profit	(10)	91	11	26	3	42	20	59
(Loss) earnings per share, basic and diluted - Cdn$	(0.001)	0.008	0.001	0.002	0.000	0.004	0.002	0.005
Sales - % change over previous quarter	-2.3	3.5	-0.3	1.8	2.7	-1.6	0.4	6.0
Costs, expenses and net income - % of Sales								
Cost of sales	80.0	75.7	78.8	80.2	80.9	77.3	79.8	77.0
Selling and distribution expenses	9.3	9.3	10.2	8.7	8.9	9.2	9.1	8.7
General and administrative expenses	10.7	9.3	8.8	8.8	9.5	9.3	9.6	8.7
Other expenses (income)	0.6	-1.8	1.1	0.0	0.4	0.4	-0.3	0.3
Income tax expense	-0.1	1.9	0.4	0.6	0.1	1.0	0.5	1.4
Profit (loss)	-0.5	5.6	0.7	1.7	0.2	2.8	1.3	3.9



The fluctuations in sales are, for the most part, due to changes in volume. Sales are also affected by the value of the US dollar as approximately 23% of our sales are priced in US dollars. Sales were 2.3%

lower in the quarter ended March 31, 2013 than in the previous quarter, ended December 31, 2012 and 2.6% higher than in the quarter ended March 31, 2012.

Slight variations in cost of sales, as a percentage of sales, occur on a regular basis. These are caused by fluctuations in the product mix, production efficiencies and prices for raw materials. The increase in cost of sales during the quarter ended March 31, 2013 is due to additional depreciation caused by the re-estimation of the useful lives of some equipment.

General and administrative expenses were high during the quarter ended March 31, 2013 because of the $35,373 write-off a payment made to one of our suppliers.

Share Capital

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

	Amount at July 15, 2013
Authorized common shares	Unlimited
Issued common shares	11,063,800
Shares issuable on exercise of outstanding stock options	-
Shares available for future stock option grants	2,000,000

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company. The maximum number of shares issuable under the stock option plan is 2,000,000.

The shareholder rights plan (the "Plan") is meant to protect the Company's shareholders from unfair, abusive or coercive takeover strategies. The Plan will remain in effect until the Company's annual general meeting in 2015, subject to further renewal or amendment. The Plan, in effect, allows holders of common shares to purchase additional common shares from the Company at a 50% discount to the prevailing market price on the occurrence of certain triggering events, including acquisition by a person or group of persons of 20% or more of the shares of the Company in a transaction that is not a Permitted Bid under the Plan. The rights under the Plan are not exercisable by the acquiring person or group of persons. The rights under the Plan are not triggered by purchases of shares made pursuant to a take-over bid that is made to all shareholders on identical terms by way of a take-over bid circular prepared in compliance with applicable securities laws, and certain other conditions set out in the agreement signed to implement the Plan.

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.

July 17, 2013

Independent Auditor's Report

To the Shareholders of
WestBond Enterprises Corporation

We have audited the accompanying consolidated financial statements of WestBond Enterprises Corporation, which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +604 806 7000, F: +604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WestBond Enterprises Corporation as at March 31, 2013 and March 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

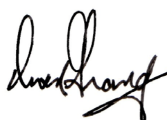
PricewaterhouseCoopers LLP

Chartered Accountants

WestBond Enterprises Corporation
Consolidated Statements of Financial Position
(Canadian Dollars)

	Notes	March 31 2013 $	March 31 2012 $
ASSETS			
Non-Current Assets			
Plant and equipment	5, 17	2,566,419	2,690,079
Lease deposits		22,433	22,433
		2,588,852	2,712,512
Current Assets			
Inventory	6	1,197,797	1,099,252
Trade and other receivables		818,181	811,911
Prepaid expenses		26,354	34,329
Cash and cash equivalents		76,157	98,183
		2,118,489	2,043,675
Total Assets		4,707,341	4,756,187
EQUITY AND LIABILITES			
Equity			
Common shares issued and outstanding	7	2,099,703	2,099,703
Warrants	7	-	32,364
Stock options	7	-	254,510
Contributed surplus		286,874	-
Retained earnings		775,465	654,803
Equity attributable to common shareholders		3,162,042	3,041,380
Liabilities			
Non-Current Liabilities			
Deferred tax liability	8	513,428	486,083
Current Liabilities			
Revolving bank loans	9	237,000	377,000
Term bank loans	10	116,660	177,776
Trade and other payables		678,211	673,948
		1,031,871	1,228,724
Total Liabilities		1,545,299	1,714,807
Total Equity and Liabilities		4,707,341	4,756,187

APPROVED BY THE BOARD OF DIRECTORS



Director Director

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

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

	Notes	Year ended March 31 2013 $	2012 $
Sales		6,324,479	6,078,464
Cost of sales	11	4,972,877	4,786,881
Gross Profit		1,351,602	1,291,583
Selling and distribution expenses	12	594,695	545,580
General and administrative expenses	13	594,722	562,889
Operating Profit		162,185	183,114
Foreign exchange losses (gains)		9,970	(4,005)
Gain on disposal of equipment		(30,426)	-
Interest expense		18,930	18,327
Profit Before Tax		163,711	168,792
Income tax expense	8	43,049	44,657
Profit and Comprehensive Income		120,662	124,135
Weighted average shares outstanding		11,063,800	11,063,800
Earnings per share, basic and fully diluted	14	0.011	0.011

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

WestBond Enterprises Corporation
Consolidated Statements of Changes in Equity
(Canadian Dollars)

	Common Shares	Warrants	Stock Options	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$	$
Balance as at March 31, 2011	2,099,703	32,364	254,510	-	530,668	2,917,245
Profit for the Year	-	-	-	-	124,135	124,135
Balance as at March 31, 2012	2,099,703	32,364	254,510	-	654,803	3,041,380
Warrants and Stock Options that Expired Unexercised During the Year	-	(32,364)	(254,510)	286,874	-	-
Profit for the Year	-	-	-	-	120,662	120,662
Balance as at March 31, 2013	2,099,703	-	-	286,874	775,465	3,162,042

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

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows
(Canadian Dollars)

	Notes	Year ended March 31 2013	2012
		$	$
Operating Activities			
Profit		120,662	124,135
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		317,850	258,728
- gain on disposal of equipment		(30,426)	-
- interest expense		18,930	18,327
- interest paid		(19,127)	(18,260)
- income tax expense		43,049	44,657
- income tax paid		(2,998)	-
Cash flows from operating activities before changes in non-cash working capital		447,940	427,587
(Increase) decrease in			
- inventory		(98,545)	(89,102)
- trade and other receivables		(6,270)	(129,323)
- prepaid expenses		7,975	(19,141)
(Decrease) increase in			
- trade and other payables		(60,735)	(6,631)
Net Cash Flows from Operating Activities		290,365	183,390
Investing Activities			
Purchase of plant and equipment	15	(150,410)	(462,169)
Proceeds from disposal of equipment		39,135	-
Net Cash Flows from Investing Activities		(111,275)	(462,169)
Financing Activities			
Term loan proceeds		-	200,000
Repayment of term loans		(61,116)	(22,224)
(Decrease) increase in revolving bank loans		(140,000)	40,000
Net Cash Flows from Financing Activities		(201,116)	217,776
Net Decrease in Cash and Cash Equivalents		(22,026)	(61,003)
Cash and Cash Equivalents at the Beginning of the Year		98,183	159,186
Cash and Cash Equivalents at the End of the Year		76,157	98,183

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

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its subsidiary, WestBond Industries Inc., (together, the company) are a paper converter that manufactures disposable products for medical, hygienic and industrial uses. 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 7871 – 82nd Street, Delta, British Columbia.

The consolidated financial statements of the company for the year ended March 31, 2013 were authorized for issue by resolution of the directors on July 15, 2013.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Consolidation

These consolidated financial statements consolidate the accounts of WestBond Enterprises Corporation and its wholly-owned subsidiary, WestBond Industries Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Functional and Presentation Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the company operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the consolidated statements of comprehensive income.

Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation is charged to profit using the straight-line method in amounts sufficient to depreciate the costs of the assets over their estimated useful lives as follows:

Factory equipment	- 5 to 25 years
Leasehold improvements	- 5 to 10 years
Office equipment	- 3 to 15 years

The company allocates the cost initially recognized in respect of an item of plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the plant and equipment are reviewed annually and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

Depreciation is not charged on assets until they are available for use in the location and condition necessary to be capable of operating in the manner intended by management.

Plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or CGU). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. When events or circumstances warrant, impairment losses are evaluated for potential reversals.

Inventory

Inventory is measured at the lower of cost and net realizable value. Raw materials inventory costs include all costs incurred to bring the materials to their current state and location, including the purchase price, duties, non-refundable taxes and freight. Finished goods inventory includes, in addition to the cost of the raw materials incorporated into their manufacture, the costs of labour incurred directly in their manufacture and an allocation of indirect variable overhead, fixed overhead and depreciation on plant and equipment. Costs are assigned to inventory on a first-in, first-out basis. The overhead allocation is based on the proportionate costs of the direct materials and labour costs included in finished goods inventory to the total materials and labour costs incurred during the period.

Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial Assets at Amortized Cost: Financial assets are initially measured at fair value and classified as subsequently measured at amortized cost or fair value on the basis of the business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost only if it is held in a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. The company's trade and other receivables are in this category and are subsequently measured at amortized cost using the effective interest method less a provision for impairment. Gains or losses on financial assets in this category are recognized in profit or loss when the financial asset is derecognized, impaired or reclassified.

(ii) Financial Assets at Fair Value: Financial assets not meeting the criteria for subsequent measurement at amortized cost are initially and subsequently measured at fair value. The company's cash and cash equivalents are in this category. Gains or losses arising from changes in fair value are recognized in profit or loss unless the financial asset is an equity instrument that is not held for trading and the company has made an irrevocable election at initial recognition to present subsequent changes in its fair value in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

(iii) Financial Liabilities at Amortized Cost: Financial liabilities at amortized cost include trade and other payables and loans. Trade and other payables are initially recognized at the amount required to be paid, less a discount to reduce the payables to fair value. Subsequently, payables are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

(iv) Financial Liabilities at Fair Value through Profit or Loss: A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial liabilities in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of comprehensive income. Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive income within other gains and losses in the period in which they arise. The company holds no instruments classified in this category.

Impairment of financial assets

At each reporting date the company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the company recognizes an impairment loss. The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 90 days of deposit.

Stock-Based Compensation Plan

The company has a stock-based compensation plan that permits the directors of the company to grant incentive stock options to its employees, directors and consultants. Stock options generally vest over eight quarters (12.5% per quarter) and expire after five years. Each vesting block in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each block is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense for options granted to employees and directors, or the cost of goods or services acquired in exchange for options granted to non-employees, is recognized over each block's vesting period by reflecting a contribution to shareholders' equity based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Revenue

Revenue is recognized in the period during which the significant risks and rewards of ownership pass to the purchaser, it is probable that the economic benefits will flow to the company, the amount of revenue and costs incurred can be reliably measured and the company retains no managerial or effective control over the goods sold. This is when the goods are shipped. Revenue is measured based on agreed upon prices, net of estimated returns, discounts and rebates.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of stock options and warrants and that the assumed proceeds are used to purchase common shares at the average market price during the period. The excess, if any, over the number of shares assumed issued and the number of shares assumed purchased is added to the basic weighted average number of shares outstanding to determine the diluted number of common shares outstanding. If the average market price during the period is less than the exercise price of the stock options, no dilution will occur.

Judgments and Estimates

The preparation of consolidated financial statements requires the company's management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and the disclosures in the notes to the consolidated financial statements. Actual results may differ from these estimates. Significant judgments and estimates are made in the determination of the net realizable value of inventories and the useful lives of plant and equipment.

The company adjusts inventory values so that the carrying value does not exceed the net realizable value. This requires the use of estimates of the inventory that will be sold, the prices at which it will be sold, and an assessment of expected orders from customers. The estimates also reflect changes in products and changes in demand due to obsolescence and competition.

The company bases the amount of depreciation charged against plant and equipment on estimates of the expected useful life of each component of plant and equipment. The estimates consider normal wear and tear, obsolescence and continued usefulness to the company.

4. FINANCIAL INSTRUMENTS

The company has various financial instruments including accounts receivable, cash and cash equivalents, revolving bank loans, term bank loans, and trade and other payables. Cash and cash equivalents are considered to be held for trading and are measured at fair value. Accounts receivable and all financial liabilities are carried at amortized cost.

IFRS establishes a fair value hierarchy that requires the company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The company

4. FINANCIAL INSTRUMENTS (continued)

primarily applies the market approach for recurring fair value measurements. The section describes three input levels that may be used to measure fair value:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash and cash equivalents are measured using level 1 inputs. Trade and other receivables, revolving bank loans, and trade and other payables are financial instruments whose fair value approximates their carrying value due to their short-term maturity. The fair value of the term loans approximates the carrying value because the interest rates are at fluctuating market rates.

The company does not believe it is subject to any significant concentration of credit risk. 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. At March 31, 2013, $18,777 (2012 – $8,363) of trade and other receivables were between 31 and 60 days past due and $11,635 (2012 – $3,392) were more than 60 days past due. The company does not consider these accounts impaired based on a review of the debtors' operations and subsequent payments. During the year ended March 31, 2013, the company wrote off no trade and other receivables (2012 – $5,367). At March 31, 2013 the amount of $198,402 was due from one customer, representing 24% of trade and other receivables. The customer is part of a large multinational corporate group and is highly creditworthy.

The company's revolving bank loans and term bank loans are at interest rates that fluctuate with market interest rates. At the levels of indebtedness at March 31, 2013, a 1% increase or decrease in the annual rate of interest would cause interest expense to increase or decrease and operating cash flows to decrease or increase, respectively, by $3,537 per year.

Portions of the company's cash, trade and other receivables 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, the company generally has more US dollar financial assets than US dollar liabilities. Over the past year, the exposure ranged from US$220,000 net assets to US$35,000 net liabilities and averaged approximately US$185,000 net assets (calculated on a quarterly basis) and, at March 31, 2013, was $35,000 net liabilities. Each change of 1% (e.g., a change from US$1.00 = Cdn$0.99 to Cdn$0.98) 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$350 on an exposure of US$35,000. During the year ended March 31, 2013, the company realized foreign exchange losses of $9,970 (2012 – gains of $4,005). The US dollar financial assets generally result from sales to US customers. The US dollar financial liabilities generally result from purchases of raw materials from US and international suppliers.

5. PLANT AND EQUIPMENT

	Factory equipment	Leasehold improvements	Office equipment	Deposits on equipment under construction	Total
	$	$	$	$	$
At March 31, 2011					
Cost	4,451,094	45,298	100,084	86,126	4,682,602
Accumulated depreciation	(2,065,825)	(37,987)	(84,062)	-	(2,187,874)
Net book value	2,385,269	7,311	16,022	86,126	2,494,728
Additions (deposits applied)	536,774	-	3,431	(86,126)	454,079
Disposals – cost	(80,792)	-	(2,915)	-	(83,707)
Disposals – accumulated depreciation	80,792	-	2,915		83,707
Depreciation	(250,314)	(1,443)	(6,971)	-	(258,728)
At March 31, 2012					
Cost	4,907,076	45,298	100,600	-	5,052,974
Accumulated depreciation	(2,235,347)	(39,430)	(88,118)	-	(2,362,895)
Net book value	2,671,729	5,868	12,482	-	2,690,079
Additions	178,844	-	5,454	18,601	202,899
Disposals – cost	(53,237)	-	(2,017)	-	(55,254)
Disposals – accumulated depreciation	44,528	-	2,017	-	46,545
Depreciation	(312,001)	(1,439)	(4,410)	-	(317,850)
At March 31, 2013					
Cost	5,032,683	45,298	104,037	18,601	5,200,619
Accumulated depreciation	(2,502,820)	(40,869)	(90,511)	-	(2,634,200)
Net book value	2,529,863	4,429	13,526	18,601	2,566,419

Included in factory equipment is equipment costing $169,425 (2012 – $166,331) that was under construction or refurbishment or had not otherwise been made available for use at year-end.

6. INVENTORY

	2013	2012
	$	$
Raw materials	954,067	726,816
Finished goods	243,730	372,436
Total inventory	1,197,797	1,099,252

7. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued	Number	Ascribed value $
Common shares	11,063,800	2,099,703

The 1,060,000 warrants outstanding at March 31, 2012 each entitled the holder to purchase one common share at $0.125 per share. The warrants expired on July 17, 2012 without being exercised.

Stock Option Plan

The company has adopted a stock option plan that permits the directors of the company to grant incentive stock options to the employees, directors, officers and consultants of the company. The maximum number of shares issuable under the plan is 2,000,000. Options granted under the plan generally vest over eight quarters (12.5% per quarter) and expire after five years. The option exercise price is generally set as the market price at the time of granting; however, a discount from the market price is permitted under the plan, subject to the policies of the TSX Venture Exchange.

No stock options were granted, vested, exercised or forfeited during the years ended March 31, 2013 and 2012.

The options outstanding at March 31, 2012 entitled the holders to purchase 800,000 shares at $0.10 per share. The options expired on March 12, 2013 without being exercised.

Shareholder Rights Plan

The company has adopted a shareholder rights plan (the “Plan”) to protect its shareholders from unfair, abusive or coercive takeover strategies. The Plan will remain in effect until the close of the company’s annual general meeting in 2015, subject to further renewal or amendment. The Plan, in effect, allows holders of common shares to purchase additional common shares from the company at a 50% discount to the prevailing market price on the occurrence of certain triggering events, including acquisition by a person or group of persons of 20% or more of the shares of the company in a transaction that is not a Permitted Bid under the Plan. The rights under the Plan are not exercisable by the acquiring person or group of persons. The rights under the Plan are not triggered by purchases of shares made pursuant to a take-over bid that is made to all shareholders on identical terms by way of a take-over circular prepared in compliance with applicable securities laws, and certain other conditions set out in the agreement signed to implement the Plan.

8. INCOME TAX

The components of the company's deferred income tax liability are the tax effects of temporary differences in the tax and accounting bases of:

	2013	2012
	$	$
Depreciation of plant and equipment	515,302	488,027
Other tax deductions carried forward	(1,874)	(1,944)
Total future income tax liability	513,428	486,083

The income tax expense shown on the consolidated statement of comprehensive income differs from the amounts obtained by applying combined Canadian and British Columbia statutory rates to profit before tax as follows:

	2013	2012
Combined statutory rate	25.00%	26.13%
	$	$
Income tax expense based on the statutory rates	40,928	44,100
Tax effect of expenses that are not deductible for income tax purposes	2,121	2,570
Effect of reductions in the statutory tax rates	-	(2,013)
Income tax expense for the year	43,049	44,657
Current portion	15,704	-
Deferred portion	27,345	44,657

9. REVOLVING BANK LOANS

The company has a $1,000,000 revolving bank loan facility. The loan outstanding at any time may not be greater than the total of 75% of Canadian accounts receivable, 50% of U.S. 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 $700,000 are not included in the calculation. The loan outstanding under the facility bears interest at bank prime rate plus 0.75% per annum and is payable on demand. A fixed and floating charge on substantially all of the company's assets has been pledged as collateral.

The company has covenanted with the bank to maintain its consolidated ratio of current assets to current liabilities at 1.10:1 or higher and its consolidated ratio of debt (including deferred tax liability) to shareholders’ equity at 1.50 or lower.

10. TERM BANK LOANS

During the year ended March 31, 2012, the company received a $200,000 non-revolving term loan. The loan bears interest at bank prime plus 1%, payable monthly. The loan is re-payable in monthly principal instalments of $5,556 and the final payment of the balance of principal and interest is due August 30, 2013 (which was extended during the year ended March 31, 2013 from November 30, 2012). 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 has been pledged as collateral.

11. COST OF SALES

	2013	2012
	$	$
Materials	3,326,153	3,189,726
Production labour	458,586	492,228
Factory overhead labour	262,869	257,186
Variable overhead	160,293	153,867
Fixed overhead	451,536	442,116
Depreciation	313,440	251,758
	4,972,877	4,786,881

12. SELLING AND DISTRIBUTION EXPENSES

	2013	2012
	$	$
Shipping	448,373	423,243
Wages, commissions and other employee benefits	121,666	101,436
Other	24,656	20,901
	594,695	545,580

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	$	$
Administration and office	175,116	129,072
Corporate promotion	7,753	5,891
Professional fees	58,219	48,868
Salaries and other employee benefits	353,634	379,058
	594,722	562,889

14. EARNINGS PER SHARE

The potential effect on earnings per share of the warrants and stock options outstanding during the years ended March 31, 2013 and 2012 was anti-dilutive; accordingly, they were excluded from the calculation of diluted earnings per share. If the average market price exceeds the exercise price of the warrants and stock options, the warrants and stock options will have a potential dilutive effect on earnings per share.

15. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended March 31, 2013, trade and other payables related to the purchase of plant and equipment increased by $52,489 (2012 – decreased by $8,090).

16. SEGMENTED INFORMATION

The company operates in one industry, the disposable paper and polyethylene industry. The company's plant and equipment are located in Canada. During the year ended March 31, 2013, the company had domestic sales in Canada of $4,879,332 (2012 – $4,675,324) and export sales to the United States of $1,445,147 (2012 – $1,403,140). During the year ended March 31, 2013, the company had sales to three customers of $2,738,518 (2012 – two customers of $1,709,329) each of whom represented more than 10% of sales.

17. COMMITMENTS

The company has entered into operating lease agreements for premises which expire in June 2014. Future minimum lease payments are as follows:

	$
Year ending March 31, 2014	316,041
2015	79,010

Operating costs and property taxes for the premises, currently estimated at $123,000 per year, are payable in addition to the minimum lease payments.

During the year ended March 31, 2013, the company expensed $314,560 (2012 – $310,118) in minimum lease payments, and $121,728 (2012 – $116,872) in additional lease payments for operating costs and property taxes, on its operating leases for premises.

The company has committed to the purchase of equipment in the amount of $52,791.

18. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2013, the company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, taxes and perquisites), of $323,637 (2012 – $332,304) to directors and officers of the company and incurred $9,052 (2012 – $5,866) of legal fees in the normal course of operations with a firm in which a director of the company is a partner. At March 31, 2013, trade and other payables include $2,618 (2012 – $1,444) due to the firm.

19. CAPITAL DISCLOSURES

The company manages share capital, warrants, stock options and retained earnings as capital. The company's objectives when managing capital are: to safeguard the ability of the company to continue as a going concern; to permit the company to continue expanding its operations, to the extent compatible and economically viable expansion opportunities are available; and to maximize shareholder returns. The company employs policies and processes for managing capital: to ensure that the covenants and terms under its bank indebtedness and term loans are complied with; to ensure that adequate prices are received for the company's production to maximize operating cash flows; and to maximize shareholder returns.