WestBond Enterprises Corporation

Quarterly Report
June 30, 2004

Management Discussion and Analysis

dated August 25, 2004, to accompany the interim consolidated financial statements for the three month period ended June 30, 2004

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, unexpected competition, and other technical, market and economic factors.*

Description of Our Business

We, WestBond Enterprises Corporation or the "Company," are a paper converter that supplies disposable paper products to many markets. A full description of our business and products is contained in the Management Discussion and Analysis included in our 2004 Annual Report which was distributed to shareholders in August 2004. A pdf version of the 2004 Annual Report may be downloaded from the SEDAR web site at www.sedar.com. For a printed copy, please contact the Company. Additional information on the Company is also available on the SEDAR web-site.

Discussion of Operations and Financial Condition

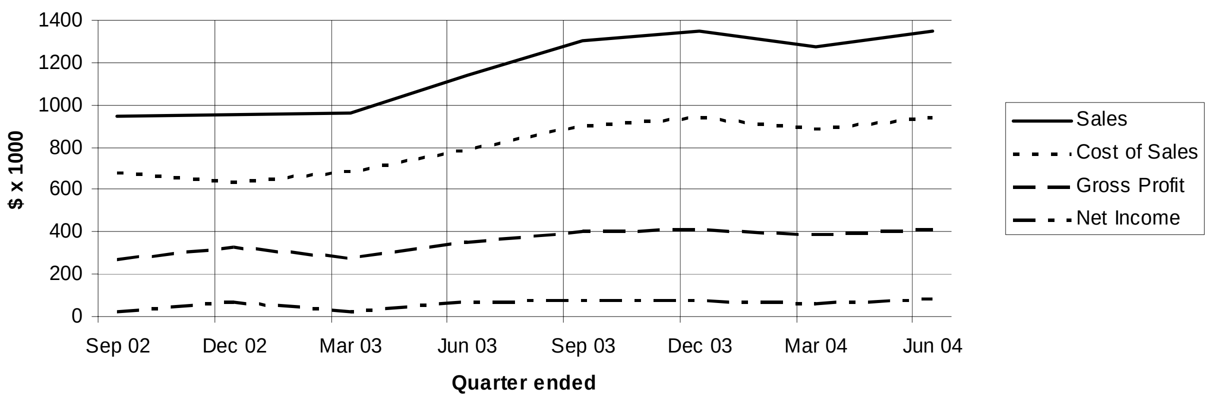
You should refer to our interim consolidated financial statements for the three months ended June 30, 2004 and our consolidated financial statements for the year ended March 31, 2004, while you read this discussion. Those financial statements provide significant, material information that is not meant 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 2004 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 26, 2004, the date of the Management Discussion and Analysis in the 2004 Annual Report, is not repeated here.

Net income for the three months ended June 30, 2004 was $81,090, or $0.008 per share, which is 23% higher than for the same period last year. The more profitable results for 2004 are due mainly to increased sales, which were 18% higher in 2004 than in 2003. Our gross profit margin for the three months ended June 30, 2004 was 30%, which is close to our average over the last five years.

Summary of Quarterly Results

The following table summarises the quarterly 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 Canadian generally accepted accounting principles.

Cdn $ x 1,000	Quarters ended							
		restated (see discussion below)						
	Jun 30 2004	**Mar 31 2004**	**Dec 31 2003**	**Sep 30 2003**	**Jun 30 2003**	**Mar 31 2003**	**Dec 31 2002**	**Sep 30 2002**
Sales	1,347	1,274	1,350	1,306	1,140	962	956	946
Cost of sales	941	888	937	902	792	687	631	676
Gross profit	406	386	413	404	348	275	325	270
Selling and marketing expenses	120	117	123	112	92	79	73	82
General and administrative expenses	158	168	171	172	147	163	141	154
Net income before tax	128	101	119	120	109	33	111	34
Future income tax expense	47	39	47	46	43	14	44	14
Net income	81	62	72	74	66	19	67	20
Net income per share, basic and diluted - Cdn$	0.008	0.006	0.007	0.008	0.007	0.002	0.007	0.002



The results for the quarters ended March 31, 2004 and earlier have been restated to reflect the retroactive application of the change in accounting policy for stock options granted to employees and directors, as described in note 2 to the financial statements for the three months ended June 30, 2004. The effects on the specific quarters presented are:

Cdn $ x 1,000	Quarters ended						
	Mar 31 2004	**Dec 31 2003**	**Sep 30 2003**	**Jun 30 2003**	**Mar 31 2003**	**Dec 31 2002**	**Sep 30 2002**
Net income, as previously reported	70	80	82	76	24	76	20
Increase in compensation expense	8	8	8	10	5	9	-
Net income, as restated	62	72	74	66	19	67	20
Net income per share, basic and diluted							
- as previously reported - Cdn $	0.007	0.008	0.008	0.008	0.003	0.008	0.002
- as restated	0.006	0.007	0.008	0.007	0.002	0.007	0.002

Sales

Sales for the three months ended June 30, 2004 totalled $1,347,350 compared to $1,140,210 for the same period last year, an increase of $207,140 or 18%. Clinical and long-term care products make up $139,601 of the increase and personal hygiene products make up $93,600 of the increase. Airline and other products showed a decrease of $26,061 in 2004 compared to 2003. Our temporary supply contract with Air Canada is now over, which is the reason for the decrease.

Cost of Sales

Materials costs were 51.7% of sales during the three month period ended June 30, 2004, compared to 52.6% during the same period last year. Our normal operating range for materials is 48% to 52% and the average for the year ended March 31, 2004 was 51.8%. Paper prices continue to be affected by changes is the US/Cdn dollar exchange rate and by unpredictable supply and demand. Our margins, however, are sufficiently high to accommodate these fluctuations profitably and remain well within expectations.

The labour component in cost of sales was 7.7% of sales in 2004 and 7.5% in 2003. The labour fluctuation is within our usual operating ranges. Overhead, as a percentage of sales, increased slightly in 2004 over 2003 as a result of higher insurance premiums, rent for additional warehouse space, stock transfer costs between the warehouse and the factory, and the appointment of a full-time production manager.

Selling Expenses

Selling expenses were slightly higher during 2004, at 8.9% of sales, compared to 8.1% in 2003. The higher costs are a result of shipping to customers farther away from the plant and to higher freight rates.

General and Administrative Expenses

General and administrative expenses were higher in 2004 than in 2003 by $10,706. The increase in administration and office expenses was caused primarily by US/Cdn dollar exchange rate gains of $5,779 in 2003, compared to a loss of $805 in 2004. Corporate promotion activities increased during 2004 as a result of increased investor relations consultant fees and benefits. Interest is higher on long-term debt due to higher loan balances and lower on other debt due to lower average line of credit balances. Professional fees are lower in 2004 than 2003 because of fees last year related to application for Tier 1 status on the TSX Venture Exchange. Lower administrative salaries in 2004 are due to a vacant position during parts of the quarter, which has been filled since the end of the quarter.

Liquidity, Financial Position and Capital Resources

Our operating cash flows averaged $58,042 per month during the three months ended June 30, 2004, before accounting for fluctuations in non-cash working capital. We also have a revolving bank loan facility of $650,000, of which $368,737 was drawn at June 30, 2004. In addition, we received $58,500 from the exercise of stock options in June 2004.

We spent $177,293 on factory equipment additions during the three months ended June 30, 2004. We have plans to spend about $75,000 more on equipment additions. We paid or expect to pay for these additions from operating cash flow.

Share Capital

	June 30, 2004	August 25, 2004
Authorized common shares	500,000,000	500,000,000
Issued common shares	10,003,800	10,003,800
Shares issuable on exercise of outstanding stock options	785,000	1,420,000
Shares available for future stock option grants	638,167	3,167

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 1,900,000 (of which 476,833 have been issued on the exercise of stock options). The directors have approved a new stock option plan that will increase the maximum number of shares issuable under stock options to 2,000,000, calculated from the date the plan is adopted. Adoption of the new stock option plan is subject to shareholder approval at the annual general meeting to be held on September 9, 2004. If adopted, the shares available for future stock option grants would be increased from 3,167 to 580,000.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
June 30, 2004

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three months ended June 30, 2004 have been prepared by and are the responsibility of the company's management. They are unaudited and have not been reviewed by independent auditors.

WESTBOND ENTERPRISES CORPORATION
Consolidated Balance Sheets
(Unaudited - See Notice to Reader)

	June 30, 2004	March 31, 2004
	$	$ (restated) (note 2)
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	128,049	41,274
Accounts receivable	649,156	659,243
Inventory	534,463	574,594
Prepaid expenses	22,955	31,657
	1,334,623	1,306,768
PLANT AND EQUIPMENT	2,281,830	2,138,389
	3,616,453	3,445,157
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	368,737	325,000
Accounts payable and accrued liabilities	491,981	501,145
Current portion of term loans	182,081	206,630
	1,042,799	1,032,775
TERM LOANS	474,978	512,481
FUTURE INCOME TAX LIABILITIES	199,137	151,773
	1,716,914	1,697,029
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 3)		
Authorized - 500,000,000 (2003 - 50,000,000) common shares without par value		
Issued and outstanding - 10,003,800 (2003 - 9,526,967) shares	2,038,836	1,980,336
STOCK OPTIONS	67,286	55,465
DEFICIT	(206,583)	(287,673)
	1,899,539	1,748,128
	3,616,453	3,445,157

APPROVED BY THE BOARD OF DIRECTORS:

"Gennaro Magistrale"

"Owen Granger"

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

WESTBOND ENTERPRISES CORPORATION

Consolidated Statements of Operations and Deficit

(Unaudited - See Notice to Reader)

	Three months ended June 30, 2004	Three months ended June 30, 2003
	$	$ (restated) (note 2)
Sales	1,347,350	1,140,210
Cost of Sales		
Materials	696,725	600,163
Labour	103,944	85,469
Variable overhead	54,302	37,117
Fixed overhead	55,376	43,187
Depreciation and amortization	30,631	25,661
	940,978	791,597
Gross Profit	406,372	348,613
Expenses		
Selling and marketing		
Shipping	88,031	62,027
Salaries, commissions and employee benefits	25,855	23,572
Other	5,965	6,350
	119,851	91,949
General and administrative		
Administration and office	24,778	14,547
Corporate promotion	18,928	11,187
Interest on term loans	8,919	7,185
Interest on other debt	4,912	5,089
Professional fees	8,352	11,952
Salaries and employee benefits	92,178	97,401
	158,067	147,361
Income for the Period before Future Income Tax Expense	128,454	109,303
Future Income Tax Expense	47,364	43,112
Net Income for the Period	81,090	66,191
Deficit - Beginning of Period, as previously reported	(239,570)	(546,935)
Adjustment to reflect cumulative effect of change in accounting policy for employee stock options (note 2)	(48,103)	(14,206)
Deficit - Beginning of Period, as restated	(287,673)	(561,141)
Deficit - End of Period	(206,583)	(494,950)
Net Income per Share, basic and diluted	0.008	0.007

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

WESTBOND ENTERPRISES CORPORATION

Consolidated Statements of Cash Flows

(Unaudited - See Notice to Reader)

	Three months ended June 30, 2004 $	Three months ended June 30, 2003 $ (restated) (note 2)
Cash Flows from Operating Activities		
Net income for the period	81,090	66,191
Adjustments to reconcile net income to cash flows from operating activities		
- depreciation and amortization	33,852	28,677
- stock option expense	11,821	10,240
- future income tax expense	47,364	43,112
	174,127	148,220
Net change in non-cash working capital related to operating activities	49,756	(53,544)
	223,883	94,676
Cash Flow from Investing Activity		
Purchase of plant and equipment	(177,293)	(46,924)
Cash Flows from Financing Activities		
Repayment of term loans	(62,052)	(39,549)
Increase (decrease) in bank indebtedness	43,737	(16,981)
Issue of shares on exercise of stock options	58,500	-
	40,185	(56,530)
Increase (Decrease) in Cash and Cash Equivalents	86,775	(8,778)
Cash and Cash Equivalents - Beginning of Period	41,274	10,593
Cash and Cash Equivalents - End of Period	128,049	1,815
Interest Paid	15,767	12,239

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(unaudited)

1. Interim Period Reporting

While the information presented in these interim consolidated financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to the fair presentation of the interim periods reported. These interim consolidated financial statements are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The accounting policies used and the methods of their application are the same as for the consolidated financial statements for the year ended March 31, 2004, except as described below in note 2. As certain note information has been condensed or omitted, these financial statements should only be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2004.

2. Change in Accounting Policy for Employee and Director Stock Options

Effective April 1, 2004 the company has adopted the fair value based method of accounting for stock options granted to employees and directors. Under this method, the fair value of stock options granted to employees and directors after March 31, 2002 is reflected as compensation expense and a contribution to shareholder's equity during the period in which the options vest. Previously, the company did not recognize compensation expense for stock options granted to employees and directors.

This change in accounting policy has been applied retroactively; accordingly, prior comparative periods presented in these financial statements have been restated to recognize compensation expense and contribution to shareholders' equity for options that vested during those prior periods, and the deficits at the beginning of the periods have been adjusted to reflect contribution expense for options that vested prior to the periods.

As a result of this restatement, for the three months ended June 30, 2003, variable overhead has been increased by $330, general and administrative salaries and employee benefits have been increased by $9,910 and net income has been reduced by $10,240 from the amounts previously reported. The stock option and deficit components of shareholders' equity have each been increased by $48,103 at March 31, 2004.

3. Share Capital

Authorized Capital - During the three months ended June 30, 2004, the authorized capital of the corporation was increased to 500,000,000 common shares without par value from 50,000,000 common shares without par value.

Stock Options - During the three months ended June 30, 2004, options to purchase 390,000 shares at $0.15 per share until June 3, 2004 were exercised. The following stock options are outstanding at June 30, 2004.

Expiry date	Total number of shares under option	Weighted average remaining contractual life	Weighted average exercise price	Number of shares under option that are vested	Weighted average exercise price
December 18, 2006	175,000	2.5 years	$0.300	65,625	$0.300
December 12, 2007	410,000	3.4 years	$0.120	410,000	$0.120
May 6, 2008	200,000	3.8 years	$0.150	150,000	$0.150
	785,000	3.3years	$0.168	625,625	$0.146

Subsequent to June 30, 2004, options to purchase 635,000 shares at $0.27 per share until July 7, 2009 were granted.

4. Related Party Transactions

During the three months ended June 30, 2004, the company incurred $3,852 (2003 - $8,296) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. The fees are included in professional fees. At June 30, 2004 accounts payable and accrued liabilities include $2,939 (2003 - $7,715) due to the firm.