WestBond Enterprises Corporation

Quarterly Report
September 30, 2004

Management Discussion and Analysis

dated November 16, 2004, to accompany the interim consolidated financial statements for the three and six month periods ended September 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

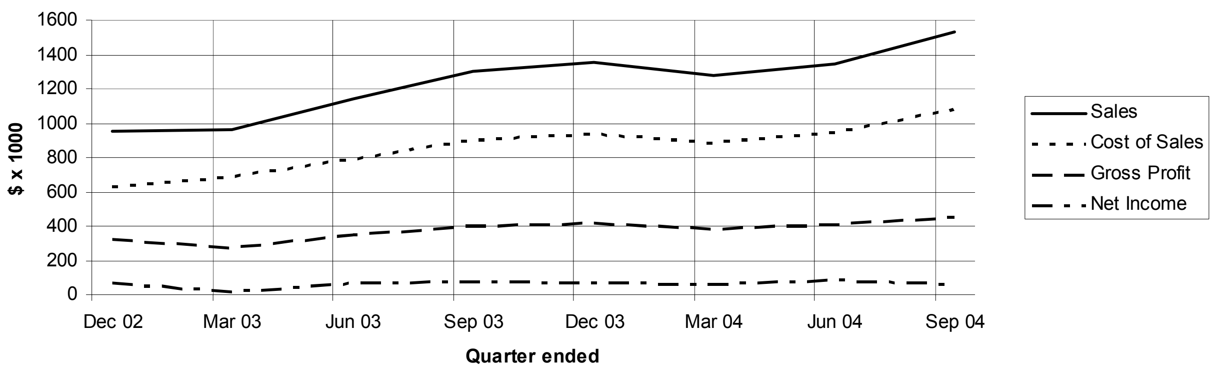
You should refer to our interim consolidated financial statements for the three and six month periods ended September 30, 2004 and our consolidated financial statements for the year ended March 31, 2004, while you read this discussion. Those financial statements provide significant, material information 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 September 30, 2004 was $59,721, or $0.006 per share, which is 20% lower than for the same period last year. Net income for the six months ended September 30, 2004 was $140,811, or $0.014 per share, which is approximately equal to the same period last year. The less profitable results for 2004 are due to increased variable overhead and administrative expenses. Sales, which were 18% higher in 2004 than in 2003, continue to show substantial growth. Our gross profit margin for the three months ended September 30, 2004 was 29%, which is close to our average over the last five years.

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 Canadian generally accepted accounting principles.

	Quarters ended							
			restated (see discussion below)					
Cdn $ x 1,000	**Sep 30 2004**	**Jun 30 2004**	**Mar 31 2004**	**Dec 31 2003**	**Sep 30 2003**	**Jun 30 2003**	**Mar 31 2003**	**Dec 31 2002**
Sales	1,534	1,347	1,274	1,350	1,306	1,140	962	956
Cost of sales	1,085	941	888	937	902	792	687	631
Gross profit	449	406	386	413	404	348	275	325
Selling and marketing expenses	138	120	117	123	112	92	79	73
General and administrative expenses	205	158	168	171	172	147	163	141
Net income before tax	106	128	101	119	120	109	33	111
Future income tax expense	46	47	39	47	46	43	14	44
Net income	60	81	62	72	74	66	19	67
Net income per share, basic and diluted - Cdn$	0.006	0.008	0.006	0.007	0.008	0.007	0.002	0.007



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 and six month periods ended September 30, 2004. The effects on the specific quarters presented are:

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

Sales

Sales for the three months ended September 30, 2004 totalled $1,533,592 compared to $1,305,502 for the same period last year, an increase of $228,090 or 17.5%, and $1,347,350 for the three months ended June 30, 2004, an increase of $186,242 or 13.8%. Sales for the six months ended September 30, 2004 were $2,880,942, an increase of 17.8% over the same period last year.

For the quarter ended September 30, 2004, sales of clinical and long-term care products were $75,929 higher than the same quarter last year ($3,929 higher than the previous quarter, ended June 30, 2004) and personal hygiene products were $207,786 higher than last year ($178,883 higher than the previous quarter). Airline and other products showed a decrease of $55,625 in the quarter ended September 30, 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 52.5% of sales during the six months ended September 30, 2004, compared to 52.6% during the same period last year. During the three months ended September 30, 2004, materials costs were 53.3% compared to 52.5% during the same period last year. Our normal operating range for materials has been 48% to 52% and the average for the year ended March 31, 2004 was 51.8%. The higher increase in sales of personal hygiene products versus the increase in sales of other products causes a shift in the product mix. Personal hygiene products have a higher materials to labour ratio than many of our other products. When personal hygiene products make up a higher proportion of the product mix, materials costs increase in relation to sales. Additionally, personal hygiene products have a lower overall profit margin than our other products. Overall profit margins, as a percent of sales, will decrease when personal hygiene products make up more of the product mix.

Paper prices continue to be affected by changes in 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 7.1% of sales during the six months ended September 30, 2004 compared to 7.6% in 2003. During the three months ended September 30, 2004, labour was 6.6% of sales compared to 7.6% in 2003. The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges.

Overhead, as a percentage of sales, has increased in 2004 over 2003 as a result of increased maintenance activities, higher insurance premiums, rent for additional warehouse space, stock transfer costs between the warehouse and the factory, additional depreciation on new equipment, and the appointment of a full-time production manager.

We have rented a larger warehouse to store our raw materials, which will increase our fixed overhead starting in January 2005. Our raw materials are currently crowding our production areas. We expect that the increase in efficiency achieved by making it easier to move around the machinery will eventually compensate for this cost increase.

Selling Expenses

Selling expenses were slightly higher during 2004, at 9% of sales, compared to 8.6% (for the three month period) and 8.3% (for the six month period) 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 $33,428 for the three month period and $44,134 for the six month period. The increase in administration and office expenses was caused primarily by US/Cdn dollar exchange rate gains of $9,146 in 2003, compared to a loss of $3,081 in 2004. Corporate promotion activities increased during 2004 as a result of increased investor relations consultant fees and benefits. Interest is lower on both long-term debt and other debt because of reduced interest rates and to lower average loan balances. Professional fees are higher in 2004 than 2003 because of fees related to the transition of the Company to the new *Business Corporations Act* (British Columbia), under which new articles and various other filings were required, and also to increased audit requirements mandated by new securities regulations. Higher administrative salaries and benefits in 2004 are due to increased stock option expense.

Liquidity, Financial Position and Capital Resources

Our operating cash flows averaged $56,941 per month during the six months ended September 30, 2004, before accounting for fluctuations in non-cash working capital. We also have a revolving bank loan facility of $650,000, of which $311,783 was drawn at September 30, 2004. In addition, we received $58,500 from the exercise of stock options in June 2004.

In October 2004, the interest rate on our revolving bank loan facility was reduced by ¾% to prime plus ¾% and, on our term loans, by ½% or 1% to prime plus 1%. These rate reductions will be offset somewhat by increases in the prime rate. Additionally, the limit on the amount of loans outstanding under the $650,000 revolving bank loan facility based on inventory was increased from 50% of $300,000, to 50% of $500,000, in addition to the limits based on 75% of Canadian accounts receivable and 50% of US accounts receivable, which remain unchanged.

We spent $267,969 on factory equipment additions during the six months ended September 30, 2004. Our equipment addition plans are now substantially complete; however, we expect that small improvements to existing equipment will be made over the next year. We paid or expect to pay for these additions from operating cash flow.

The new conventional roll toilet paper winder is now fully operational and we have begun to sell product from the machine. We expect to see significant sales from this investment, starting in the quarter ending March 31, 2005. Most of the machine time during the quarter ending December 31, 2004 will be used to run product trials for potential customers, to train employees and to fine-tune the production parameters. The new table napkin and hand towel machines should come on line around the same time.

Share Capital

	November 16, 2004
Authorized common shares without par value	Unlimited
Issued common shares	10,003,800
Shares issuable on exercise of outstanding stock options	1,420,000
Shares available for future stock option grants	580,000

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.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
September 30, 2004

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and six month periods ended September 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)

	September 30 2004 $	March 31 2004 $ (restated) (note 2)
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	22,304	41,274
Accounts receivable	788,529	659,243
Inventory	663,625	574,594
Prepaid expenses	47,200	31,657
	1,521,658	1,306,768
PLANT AND EQUIPMENT	2,333,088	2,138,389
	3,854,746	3,445,157
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 3)	311,783	325,000
Accounts payable and accrued liabilities	721,182	501,145
Current portion of term loans (note 3)	157,532	206,630
	1,190,497	1,032,775
TERM LOANS (note 3)	437,475	512,481
FUTURE INCOME TAX LIABILITIES	245,166	151,773
	1,873,138	1,697,029
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 4)		
Authorized - 500,000,000 (March 2004 - 50,000,000) common shares without par value		
Issued and outstanding - 10,003,800 (March 2004 - 9,613,800) shares	2,038,836	1,980,336
STOCK OPTIONS	89,634	55,465
DEFICIT	(146,862)	(287,673)
	1,981,608	1,748,128
	3,854,746	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 September 30		Six months ended September 30	
	2004	2003	2004	2003
	$	$ (restated) (note 2)	$	$ (restated) (note 2)
Sales	1,533,592	1,305,502	2,880,942	2,445,712
Cost of Sales				
Materials	816,712	685,226	1,513,437	1,285,389
Labour	100,575	99,520	204,519	184,989
Variable overhead	74,839	36,438	129,141	73,555
Fixed overhead	56,553	54,551	111,929	97,738
Depreciation and amortization	36,079	26,196	66,710	51,857
	1,084,758	901,931	2,025,736	1,693,528
Gross Profit	448,834	403,571	855,206	752,184
Expenses				
Selling and marketing				
Shipping	99,183	77,961	187,214	139,988
Salaries, commissions and employee benefits	27,143	26,578	52,998	50,150
Other	11,677	7,150	17,642	13,500
	138,003	111,689	257,854	203,638
General and administrative				
Administration and office	29,917	21,492	54,695	36,039
Corporate promotion	31,286	27,614	50,214	38,801
Interest on term loans	8,413	17,670	17,332	24,855
Interest on other debt	4,952	3,916	9,864	9,005
Professional fees	23,724	5,433	32,076	17,385
Salaries and employee benefits	106,790	95,529	198,968	192,930
	205,082	171,654	363,149	319,015
Income for the Period before Future Income Tax Expense	105,749	120,228	234,203	229,531
Future Income Tax Expense	46,028	45,788	93,392	88,900
Net Income for the Period	59,721	74,440	140,811	140,631
Deficit - Beginning of Period, as previously reported	(206,583)	(470,504)	(239,570)	(546,935)
Adjustment to reflect cumulative effect of change in accounting policy for employee stock options (note 2)	-	(24,446)	(48,103)	(14,206)
Deficit - Beginning of Period, as restated	(206,583)	(494,950)	(287,673)	(561,141)
Deficit - End of Period	(146,862)	(420,510)	(146,862)	(420,510)
Net Income per Share, basic and diluted	0.006	0.008	0.014	0.015

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 September 30		Six months ended September 30	
	2004	**2003**	**2004**	**2003**
	$	**$ (restated) (note 2)**	**$**	**$ (restated) (note 2)**
Cash Flows from Operating Activities				
Net income for the period	59,721	74,440	140,811	140,631
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation and amortization	39,419	29,299	73,271	57,976
- stock option expense	22,348	7,378	34,169	17,618
- future income tax expense	46,028	45,788	93,392	88,900
	167,516	156,905	341,643	305,125
Net change in non-cash working capital related to operating activities	(63,579)	(62,815)	(13,823)	(116,359)
	103,937	94,090	327,820	188,766
Cash Flow from Investing Activity				
Purchase of plant and equipment	(90,676)	(476,137)	(267,969)	(523,061)
Cash Flows from Financing Activities				
Term loan proceeds	-	750,000	-	750,000
Repayment of term loans	(62,052)	(287,050)	(124,104)	(326,599)
Decrease in bank indebtedness	(56,954)	(70,196)	(13,217)	(87,177)
Issue of shares on exercise of stock options	-	820	58,500	820
	(119,006)	393,574	(78,821)	337,044
(Decrease) Increase in Cash and Cash Equivalents	(105,745)	11,527	(18,970)	2,749
Cash and Cash Equivalents - Beginning of Period	128,049	1,815	41,274	10,593
Cash and Cash Equivalents - End of Period	22,304	13,342	22,304	13,342
Interest Paid	12,040	21,366	27,807	33,605

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

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 shareholders' 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 and six month periods ended September 30, 2003, variable overhead has been increased by $330 and $660, respectively, general and administrative salaries and employee benefits have been increased by $7,048 and $16,958, respectively, and net income has been reduced by $7,378 and $17,618, respectively, 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. Bank Indebtedness and Term Loans

Subsequent to September 30, 2004, the rate of interest was decreased to prime plus ¾% (from prime plus 1-½%) on loans under the company's revolving bank loan facility and to prime plus 1% (from prime plus 1-½% or 2%) on the company's term loans. Additionally, the limit on the amount of loans outstanding under the $650,000 revolving bank loan facility based on inventory was increased from 50% of $300,000, to 50% of $500,000, in addition to the limits based on 75% of Canadian accounts receivable and 50% of US accounts receivable, which remain unchanged.

4. Share Capital

Authorized Capital - During the six months ended September 30, 2004, the authorized capital of the company was increased to 500,000,000 common shares without par value from 50,000,000 common shares without par value. Subsequent to September 30, 2004, the authorized capital was inceased to an unlimited number of common shares without par value.

Stock Options - During the six months ended September 30, 2004, options to purchase 390,000 shares at $0.15 per share until June 3, 2004 were exercised and options to purchase 635,000 shares at $0.27 per share until July 7, 2009 were granted. Also, during the six months ended September 30, 2004, the company approved a new stock option plan to replace its previous plan. A maximum of 2,000,000 shares may be issued under the new stock option plan, including shares currently under option.

The fair value of the options granted during the six months ended September 30, 2004 was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 3.89%, a dividend yield of 0%, an expected option life of 4 years and volatility of 100%. The fair value of the options granted is charged to earnings based on the vesting schedule of 12-½% every three months, commencing on the date of grant.

4. Share Capital (continued)

The following stock options are outstanding at September 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	2.2 years	$0.300	87,500	$0.300
December 12, 2007	410,000	3.2 years	$0.120	410,000	$0.120
May 6, 2008	200,000	3.6 years	$0.150	175,000	$0.150
July 7, 2009	635,000	4.8 years	$0.270	79,375	$0.270
	1,420,000	3.8 years	$0.213	751,875	$0.164

5. Related Party Transactions

During the six months ended September 30, 2004, the company incurred $19,503 (2003 - $9,729) 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 September 30, 2004 accounts payable and accrued liabilities include $3,518 (2003 - $152) due to the firm.

6. Lease Commitment

Subsequent to September 30, 2004, the company entered into an operating lease agreement for additional warehouse space which expires in December 2007. Future minimum lease payments are as follows:

Six months ending March 31, 2005	$ 14,128
Year ending March 31, 2006	56,511
2007	56,511
2008	42,383