WestBond Enterprises Corporation

Quarterly Report
June 30, 2005

Management Discussion and Analysis

dated August 26, 2005, to accompany the interim consolidated financial statements for the three month period ended June 30, 2005

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 2005 Annual Report. A pdf version of the 2005 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

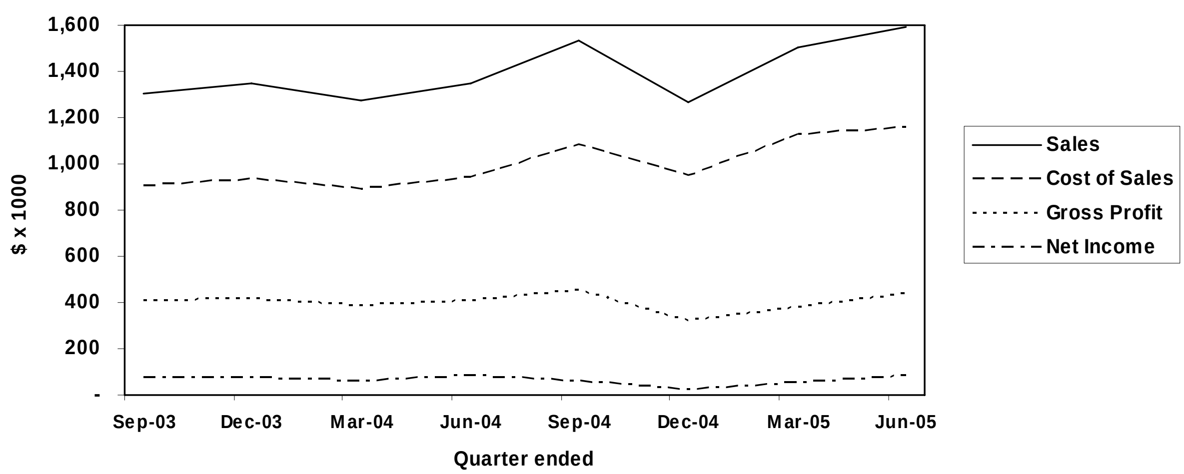
You should refer to our interim consolidated financial statements for the three month period ended June 30, 2005 and our consolidated financial statements for the year ended March 31, 2005, while you read this discussion. Those financial statements provide significant, material information that is not 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 2005 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2005, the date of the Management Discussion and Analysis in the 2005 Annual Report, is not repeated here.

Sales for the three months ended June 30, 2005 were $1,592,020, which is 18% higher than the same period last year and 6% higher than the three months ended March 31, 2005. Net income for the three months ended June 30, 2005 was $81,415, or $0.008 per share, which is slightly higher than for the same period last year and 61% higher than for the three months ended March 31, 2005. The more profitable results for the current quarter are due to increased sales. The gross profit margin during the three months ended June 30, 2005 was 27%, compared to 25% during the three months ended March 31, 2005 and 29% during the three months ended June 30, 2004.

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							
Cdn$ x 1,000	**Jun 30 2005**	**Mar 31 2005**	**Dec 31 2004**	**Sep 30 2004**	**Jun 30 2004**	**Mar 31 2004**	**Dec 31 2003**	**Sep 30 2003**
Sales	1,592	1,502	1,269	1,534	1,347	1,274	1,350	1,306
Cost of sales	1,157	1,124	948	1,085	941	888	937	902
Gross profit	435	378	321	449	406	386	413	404
Selling and marketing expenses	136	120	108	138	120	117	123	112
General and administrative expenses	163	169	164	205	158	168	171	172
Net income before taxes	136	89	49	106	128	101	119	120
Income tax expense	55	39	24	46	47	39	47	46
Net income	81	50	25	60	81	62	72	74
Net income per share, basic and diluted - Cdn$	0.008	0.005	0.002	0.006	0.008	0.006	0.007	0.008
Sales - % change over previous quarter	6.0	18.4	-17.3	13.8	5.8	-5.6	3.4	14.5
Costs, expenses and net income - % of Sales								
Cost of sales	72.7	74.8	74.7	70.7	69.8	69.6	69.4	69.1
Selling and marketing expenses	8.6	8.0	8.5	9.0	8.9	9.2	9.1	8.5
General and administrative expenses	10.2	11.3	12.9	13.4	11.8	12.6	12.1	12.6
Income tax expense	3.4	2.5	1.9	3.0	3.5	3.1	3.5	3.5
Net income	5.1	3.4	2.0	3.9	6.0	5.5	5.9	6.3



Sales

Sales for the three months ended June 30, 2005 totalled $1,592,020 compared to $1,347,350 for the same period last year, an increase of $244,670 or 18%, and $1,502,576 for the three months ended March 31, 2005, an increase of $89,444 or 6%.

For the quarter ended June 30, 2005, sales of clinical and long-term care products were $76,500 higher than the same quarter last year ($36,317 higher than the previous quarter, ended March 31, 2005) and personal hygiene products were $177,022 higher than last year ($81,953 higher than the previous quarter). Airline and other products showed a decrease of $8,852 in the quarter ended June 30, 2005 compared to 2004 and a decrease of $28,826 compared to the quarter ended March 31, 2005. We anticipate sales of clinical, long-term care and personal hygiene products to continue to increase.

Cost of Sales

Materials costs were 53.0% of sales during the three months ended June 30, 2005, compared to 51.7% during the same period last year and 53.9% during the three months ended March 31, 2005. Fluctuations in the yield factors (the amount of product that a certain weight of paper will produce) for the paper used to make the personal hygiene line are the main cause of these variances.

Our normal operating range for materials has been 48% to 53% and the average for the year ended March 31, 2005 was 52.9%. The increase in the portion of sales of personal hygiene products versus the portion of 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. Higher US dollar prices have been offset by more favourable exchange rates. The supply problems we encountered last year appear to improving so we do not anticipate any more paper shortages; although the market can change at any time.

The labour component in cost of sales was 7.3% of sales during the three months ended June 30, 2005 compared to 7.7% in 2004. 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 2005 over 2004 as a result of increased maintenance activities, 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.

Selling Expenses

Selling expenses were slightly lower during the three months ended June 30, 2005, at 8.6% of sales, compared to 8.9%. Higher freight rates during 2005 were offset by fewer commissioned sales.

General and Administrative Expenses

General and administrative expenses were higher in 2005 than in 2004 by $4,257 for the three months ended June 30, 2005. The increase in administration and office expenses was caused by increased office supplies and services and US/Cdn dollar exchange rate losses of $2,784 in 2005, compared to a loss of $805 in 2004. Corporate promotion costs decreased during 2005 as a result of lower investor relations consultant fees. Interest is lower on long-term debt because of reduced interest rates and to lower average loan balances. Interest on other debt has increased in spite of reduced interest rates because of higher average loan balances. Professional fees are lower in 2005 than 2004 because of fees related to the transition of the Company to the new *Business Corporations Act* (British Columbia) during 2004. Higher administrative salaries and benefits in 2005 are due to increased stock option expense, higher salaries and increased administrative staff time.

Liquidity, Financial Position and Capital Resources

Our financial position continued to improve during the three months ended June 30, 2005. This is the result of profitable operations and positive operating cash flows. We continue to invest surplus cash in equipment and to pay down long-term debt.

Our operating cash flows averaged $56,814 per month during the three months ended June 30, 2005, before accounting for fluctuations in non-cash working capital. We also have a revolving bank loan facility of $650,000, of which $546,255 was drawn at June 30, 2005.

We spent $84,661 on equipment additions during the three months ended June 30, 2005. 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.

We are currently looking at acquiring the equipment of another paper converter that has ceased operations. This equipment would be used to expand sales of our personal hygiene products into California, and to allow more efficiency from our current equipment by reducing the down-time from product switch-overs. The equipment purchase, if it proceeds, will be financed through long-term debt.

Share Capital

	August 26, 2005
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
June 30, 2005

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three month period ended June 30, 2005 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)

(Canadian Dollars)

	June 30 2005	March 31 2005
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	6,065	20,866
Accounts receivable	899,964	762,875
Inventory	701,714	827,817
Prepaid expenses	57,980	65,821
	1,665,723	1,677,379
PLANT AND EQUIPMENT	2,392,103	2,350,018
	4,057,826	4,027,397
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	546,255	424,217
Accounts payable and accrued liabilities	511,026	692,999
Current portion of term loans	150,012	150,012
	1,207,293	1,267,228
TERM LOANS	324,966	362,469
FUTURE INCOME TAX LIABILITIES	325,518	298,662
	1,857,777	1,928,359
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 2)		
Authorized - unlimited common shares without par value		
Issued and outstanding - 10,003,800 shares	2,038,836	2,038,836
STOCK OPTIONS	151,173	131,577
RETAINED EARNINGS (DEFICIT)	10,040	(71,375)
	2,200,049	2,099,038
	4,057,826	4,027,397

APPROVED BY THE BOARD OF DIRECTORS:

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

WESTBOND ENTERPRISES CORPORATION
Consolidated Statements of Operations and Retained Earnings
(Unaudited - See Notice to Reader)
(Canadian Dollars)

	Three months ended June 30	
	2005	**2004**
	$	**$**
Sales	1,592,020	1,347,350
Cost of Sales		
Materials	844,499	696,725
Labour	115,452	103,944
Variable overhead	84,627	54,302
Fixed overhead	71,879	55,376
Depreciation and amortization	40,376	30,631
	1,156,833	940,978
Gross Profit	435,187	406,372
Expenses		
Selling and marketing		
Shipping	108,037	88,031
Salaries, commissions and employee benefits	23,221	25,855
Other	5,586	5,965
	136,844	119,851
General and administrative		
Administration and office	26,602	24,778
Corporate promotion	11,787	18,928
Interest on term loans	6,461	8,919
Interest on other debt	6,297	4,912
Professional fees	5,775	8,352
Salaries and employee benefits	105,402	92,178
	162,324	158,067
Income for the Period before Taxes	136,019	128,454
Income Taxes		
Current	27,748	-
Future	26,856	47,364
	54,604	47,364
Net Income for the Period	81,415	81,090
Deficit - Beginning of Period	(71,375)	(287,673)
Retained Earnings (Deficit) - End of Period	10,040	(206,583)
Net Income per Share, basic and diluted	0.008	0.008

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)
(Canadian Dollars)

	Three months ended June 30	
	2005	2004
	$	$
Cash Flows from Operating Activities		
Net income for the period	81,415	81,090
Adjustments to reconcile net income to cash flows from operating activities		
- depreciation and amortization	42,576	33,852
- stock option expense	19,596	11,821
- future income tax expense	26,856	47,364
	170,443	174,127
Net change in non-cash working capital related to operating activities	(185,118)	49,756
	(14,675)	223,883
Cash Flow from Investing Activity		
Purchase of plant and equipment	(84,661)	(177,293)
Cash Flows from Financing Activities		
Repayment of term loans	(37,503)	(62,052)
Increase in bank indebtedness	122,038	43,737
Issue of shares on exercise of stock options	-	58,500
	84,535	40,185
(Decrease) Increase in Cash and Cash Equivalents	(14,801)	86,775
Cash and Cash Equivalents - Beginning of Period	20,866	41,274
Cash and Cash Equivalents - End of Period	6,065	128,049
Interest Paid	12,738	15,767

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2005
(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, 2005. 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, 2005.

2. Share Capital

Stock Options - The following stock options are outstanding at June 30, 2005.

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	1.5 years	$0.300	153,125	$0.300
December 12, 2007	410,000	2.5 years	$0.120	410,000	$0.120
May 6, 2008	200,000	2.9 years	$0.150	200,000	$0.150
July 7, 2009	635,000	4.0 years	$0.270	317,500	$0.270
	1,420,000	3.8 years	$0.213	1,080,625	$0.195

3. Related Party Transactions

During the three months ended June 30, 2005, the company incurred $825 (2004 - $3,852) in legal fees in the normal course of operations with a firm in which a director of the company was a partner. The fees are included in professional fees. At June 30, 2005 accounts payable and accrued liabilities include $879 (March 31, 2005 - $nil) due to the firm.