WestBond Enterprises Corporation

Quarterly Report
June 30, 2006

Management Discussion and Analysis

dated August 25, 2006, to accompany the interim consolidated financial statements for the three month period ended June 30, 2006

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 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 2006 Annual Report. A pdf version of the 2006 Annual Report may be downloaded from our web site at www.westbond.ca or 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 our web site and on the SEDAR web-site.

Discussion of Operations and Financial Condition

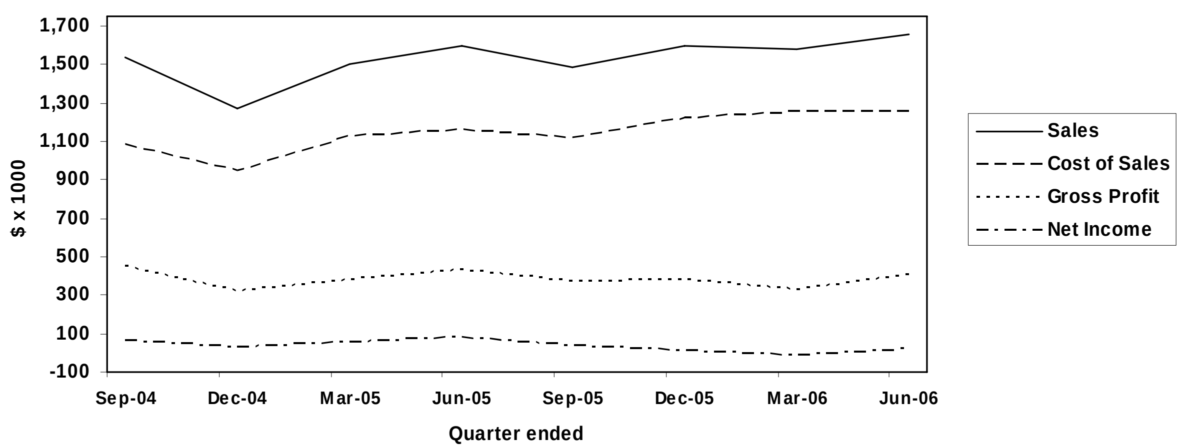
You should refer to our interim consolidated financial statements for the three month period ended June 30, 2006 and our consolidated financial statements for the year ended March 31, 2006 while you read this discussion. Those financial statements provide significant, material information that is not 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 2006 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 27, 2006, the date of the Management Discussion and Analysis in the 2006 Annual Report, is not repeated here.

Sales were $1,656,222 for the three months ended June 30, 2006, which is 4% more than for the same period last year and 5% higher than for the three months ended March 31, 2006. Net income was $22,328, or $0.002 per share for the three months ended June 30, 2006. These results are not as profitable as the same period last year, primarily due to increased overhead expenses, shipping costs and sales commissions. The gross profit margin was 24.5% during the three months ended June 30, 2006, compared to 27.3% during the same period last year and 21.0% during the three months ended March 31, 2006.

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 2006**	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**	**Jun 30 2005**	**Mar 31 2005**	**Dec 31 2004**	**Sep 30 2004**
Sales	1,656	1,581	1,598	1,487	1,592	1,502	1,269	1,534
Cost of sales	1,250	1,249	1,215	1,118	1,157	1,124	948	1,085
Gross profit	406	332	383	369	435	378	321	449
Selling and marketing expenses	183	194	171	125	136	120	108	138
General and administrative expenses	181	178	183	176	163	169	164	205
Net income (loss) before taxes	42	(40)	29	68	136	89	49	106
Income tax expense (recovery)	20	(25)	17	31	55	39	24	46
Net income (loss)	22	(15)	12	37	81	50	25	60
Earnings (loss) per share, basic and diluted - Cdn$	0.002	(0.002)	0.001	0.004	0.008	0.005	0.002	0.006
Sales - % change over previous quarter	4.7	-1.1	7.5	-6.6	6.0	18.4	-17.3	13.8
Costs, expenses and net income - % of Sales								
Cost of sales	75.4	79.0	76.0	75.1	72.7	74.8	74.7	70.7
Selling and marketing expenses	11.1	12.3	10.8	8.5	8.6	8.0	8.5	9.0
General and administrative expenses	10.9	11.3	11.4	11.8	10.2	11.3	12.9	13.4
Income tax expense	1.2	-1.6	1.0	2.1	3.4	2.5	1.9	3.0
Net income	1.4	-1.0	0.8	2.5	5.1	3.4	2.0	3.9



Sales

Sales for the three months ended June 30, 2006 are 4.0% higher than the same period last year. The increase in sales is due to increased volumes from the clinical and long-term care product line, offset by a small decline in the personal hygiene line and other products. The increase in sales is mainly from volume increases. Price increases, which were originally set to take effect during this quarter, had to be retracted in order to compete with US products coming into Canada at low exchange rates. The weak US dollar prices also reduced the Canadian dollar value of our sales to the US.

Sales	Three months ended June 30		Change over last year
Product Line	2006 $	2005 $	
Personal hygiene	696,870	716,762	-2.8%
Clinical and long-term care	933,235	839,424	+11.2%
Other	26,117	35,834	-27.1%
	1,656,222	1,592,020	+4.0%

We anticipate sales from all product lines to increase in future periods. Sales of the personal hygiene products are lower this year because of equipment down-time. The equipment is now running well and we expect sales volumes to resume their growth.

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2006 compared to 2005. Higher labour costs, variable overhead and depreciation were offset by savings on materials.

Cost of Sales	Three months ended June 30 2006 % of sales	2005 % of sales
Materials	51.3%	53.1%
Labour	8.1%	7.3%
Variable overhead	8.2%	5.3%
Fixed overhead	4.5%	4.5%
Depreciation	3.4%	2.5%
Gross Margin	75.5%	72.7%

Our normal operating range for materials has been 48% to 54% and the average for the year ended March 31, 2006 was 54%. Materials cost fluctuations are due to variations in the yield factors (the amount of product that a certain weight of paper will produce) and paper prices. The paper yield factors improved during the last quarter as recently hired employees developed more experience in operating our equipment. We also received favourable pricing on a portion of our paper purchases during the quarter. The weak US dollar contributed to the lower paper costs as most of our paper is purchased in US dollars.

The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. We have experienced an increase in direct labour costs over the last several months, which is a temporary problem caused by recently hired employees being less productive than experienced employees. We are increasing our labour force to handle the increase in sales that we expect. We expect to see improvements in labour efficiency over the remainder of the year.

Variable overhead, as a percentage of sales, has increased in 2006 over 2005 as a result of increased maintenance activities, rent for additional warehouse space, stock transfer costs between the warehouse and the factory, and the addition of two full-time production foremen. Our purchase of additional equipment in September 2005 increased our depreciation charges.

Selling Expenses

Selling expenses were higher during 2006 compared to 2005, at 11.1% of sales, compared to 8.6%. The increase is caused by higher freight rates and the addition of the California sales agent. We expect the new sales agent will increase sales to the USA significantly in future periods.

General and Administrative Expenses

General and administrative expenses were higher in 2006 than in 2005 by $18,744. Decreased corporation promotion costs offset increases in other categories. Corporate promotion costs decreased as a result of lower investor relations stock option expense. Interest expense is higher because of increased debt levels and increased interest rates. Salaries have increased because of increased salaries for administrative staff and to more part-time staff.

Liquidity, Financial Position and Capital Resources

Our financial position continued to improve during the three months ended June 30, 2006. This is the result of continued 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 were $115,746 during the three months ended June 30, 2006, an average of $38,582 per month, compared to an average of $37,580 per month during the year ended March 31, 2006, before accounting for fluctuations in non-cash working capital.

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. The total principal outstanding on term loans was $719,037 at June 30, 2006, compared to $780,183 at March 31, 2006. Principal repayments are $20,382 per month.

At June 30, 2006, we had a revolving bank loan facility of $650,000, which was completely used at June 30, 2006, in addition to a temporary bank loan and overdraft of $128,003. The revolving bank loan facility was increased to $1,000,000 in August 2006. 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 $500,000 are not included in the calculation. Additionally, earnings before interest, taxes and depreciation, calculated on a rolling four quarter basis, must be maintained at 1.5 times the current portion of long-term debt plus interest expense by September 30, 2006. In order to meet this requirement, we need operating cash flow, before changes in non-cash working capital, of approximately $210,000 for the quarter ended September 30, 2006.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $150,000 and accounts payable by an additional $150,000. 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. Accounts receivable and accounts payable levels have increased overall in 2006 as a result of higher sales and production volumes.

We currently plan to spend approximately $200,000 on equipment expansions and improvements during the year ending March 31, 2007. We will 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 and additional term loans.

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.

	August 25, 2006
Authorized common shares without par value	Unlimited
Issued common shares	10,003,800
Shares issuable on exercise of outstanding stock options	1,595,000
Shares available for future stock option grants	405,000

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 is subject to shareholder approval at the Company’s annual general meeting on September 22, 2006 and, if approved, will remain in effect until the Company’s annual general meeting in 2009. 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.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
June 30, 2006

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three months ended June 30, 2006 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 2006	March 31 2006
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	43,107	62,924
Accounts receivable	1,114,037	1,008,730
Inventory	743,006	827,274
Prepaid expenses	34,729	38,813
	1,934,879	1,937,741
PLANT AND EQUIPMENT	2,984,962	3,014,802
	4,919,841	4,952,543
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 2)	778,003	615,101
Accounts payable and accrued liabilities	695,842	888,455
Current portion of term loans (note 2)	244,584	244,584
	1,718,429	1,748,140
TERM LOANS (note 2)	474,453	535,599
FUTURE INCOME TAX LIABILITIES	404,891	384,668
	2,597,773	2,668,407
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 3)		
Authorized - unlimited common shares without par value		
Issued and outstanding - 10,003,800 shares	2,038,836	2,038,836
STOCK OPTIONS	217,582	201,978
RETAINED EARNINGS	65,650	43,322
	2,322,068	2,284,136
	4,919,841	4,952,543

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	
	2006	**2005**
	$	**$**
Sales	1,656,222	1,592,020
Cost of Sales		
Materials	850,051	844,499
Labour	133,784	115,452
Variable overhead	136,300	84,627
Fixed overhead	73,984	71,879
Depreciation and amortization	55,476	40,376
	1,249,595	1,156,833
Gross Profit	406,627	435,187
Expenses		
Selling and marketing		
Shipping	129,257	108,037
Salaries, commissions and employee benefits	46,201	23,221
Other	7,550	5,586
	183,008	136,844
General and administrative		
Administration and office	28,378	26,602
Corporate promotion	9,522	11,787
Interest on term loans	12,202	6,461
Interest on other debt	9,766	6,297
Professional fees	9,151	5,775
Salaries and employee benefits	112,049	105,402
	181,068	162,324
Income for the Period before Taxes	42,551	136,019
Provision for Income Taxes		
Current	-	27,748
Future	20,223	26,856
	20,223	54,604
Net Income for the Period	22,328	81,415
Retained Earnings (Deficit)		
- Beginning of Period	43,322	(71,375)
- End of Period	65,650	10,040
Earnings per Share, basic and diluted	0.002	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	
	2006	**2005**
	$	**$**
Cash Flows from Operating Activities		
Net income for the period	22,328	81,415
Adjustments to reconcile net income to cash flows from operating activities		
- depreciation	57,591	42,576
- stock option expense	15,604	19,596
- future income tax expense	20,223	26,856
	115,746	170,443
Net change in non-cash working capital related to operating activities	(209,568)	(185,118)
	(93,822)	(14,675)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(27,751)	(84,661)
Cash Flows from Financing Activities		
Repayment of term loans	(61,146)	(37,503)
Increase in bank indebtedness	162,902	122,038
	101,756	84,535
Decrease in Cash and Cash Equivalents	(19,817)	(14,801)
Cash and Cash Equivalents - Beginning of Period	62,924	20,866
- End of Period	43,107	6,065
Interest Paid	21,919	12,738

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2006
(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, 2006. 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, 2006.

2. Bank Indebtedness and Term Loans

Subsequent to June 30, 2006, the company increased its revolving bank loan facility to $1,000,000. As part of its agreement with the bank, the company is required to maintain earnings before interest expense, income tax and depreciation of 1.5 times the current portion of long-term debt plus interest expense, calculated on a rolling four quarter basis, commencing with the four quarters ending September 30, 2006.

3. Share Capital

Stock Options - The following stock options are outstanding at June 30, 2006.

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	0.5 years	$0.300	175,000	$0.300
November 30, 2007	75,000	1.4 years	$0.240	28,125	$0.240
December 12, 2007	410,000	1.5 years	$0.120	410,000	$0.120
May 6, 2008	200,000	1.9 years	$0.150	200,000	$0.150
July 7, 2009	635,000	3.0 years	$0.270	635,000	$0.270
	1,495,000	2.1 years	$0.215	1,448,125	$0.214

4. Related Party Transactions

During the three months ended June 30, 2006, the company incurred $3,888 (2005 - $825) in legal fees in the normal course of operations with firms in which a director of the company was a partner. The fees are included in professional fees.