WestBond Enterprises Corporation

Quarterly Report
September 30, 2006

Management Discussion and Analysis

dated November 28, 2006, to accompany the interim consolidated financial statements for the three and six month periods ended September 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

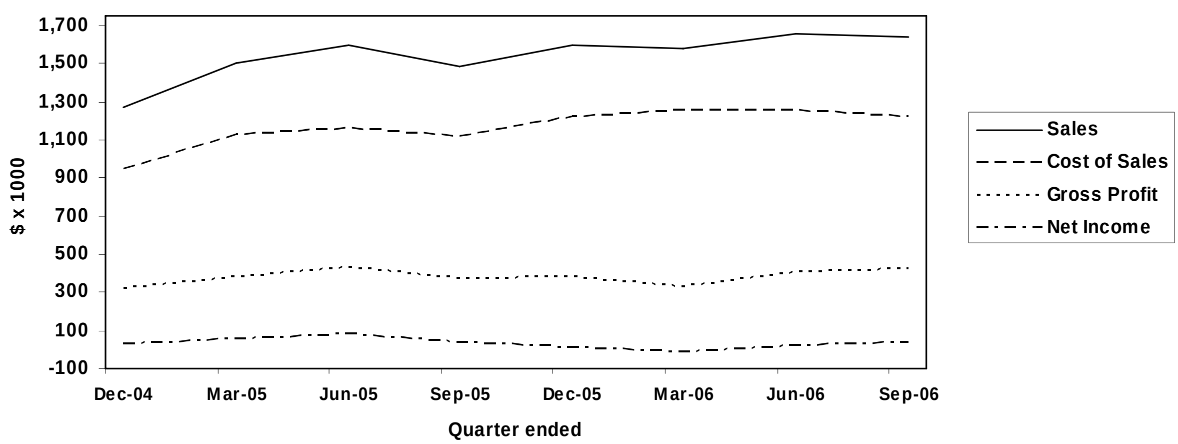
You should refer to our interim consolidated financial statements for the three and six month periods ended September 30, 2006 and our consolidated financial statements for the year ended March 31, 2006 while you read this discussion. Those financial statements provide significant, material information 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 $1,641,014 for the three months ended September 30, 2006, which is 10% more than for the same period last year and 1% less than for the three months ended June 30, 2006. Net income was $37,747, or $0.004 per share for the three months ended September 30, 2006 and $60,075, or $0.006 per share for the six months ended September 30, 2006. The six month 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 25.6% during the three months ended September 30, 2006, compared to 24.8% during the same period last year and 24.5% during the three months ended June 30, 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	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**	**Jun 30 2005**	**Mar 31 2005**	**Dec 31 2004**
Sales	1,641	1,656	1,581	1,598	1,487	1,592	1,502	1,269
Cost of sales	1,221	1,250	1,249	1,215	1,118	1,157	1,124	948
Gross profit	420	406	332	383	369	435	378	321
Selling and marketing expenses	191	183	194	171	125	136	120	108
General and administrative expenses	169	181	178	183	176	163	169	164
Net income (loss) before taxes	60	42	(40)	29	68	136	89	49
Income tax expense (recovery)	22	20	(25)	17	31	55	39	24
Net income (loss)	38	22	(15)	12	37	81	50	25
Earnings (loss) per share, basic and diluted - Cdn$	0.004	0.002	(0.002)	0.001	0.004	0.008	0.005	0.002
Sales - % change over previous quarter	-0.9	4.7	-1.1	7.5	-6.6	6.0	18.4	-17.3
Costs, expenses and net income - % of Sales								
Cost of sales	74.4	75.4	79.0	76.0	75.1	72.7	74.8	74.7
Selling and marketing expenses	11.6	11.1	12.3	10.8	8.5	8.6	8.0	8.5
General and administrative expenses	10.3	10.9	11.3	11.4	11.8	10.2	11.3	12.9
Income tax expense	1.4	1.2	-1.6	1.0	2.1	3.4	2.5	1.9
Net income	2.3	1.4	-1.0	0.8	2.5	5.1	3.4	2.0



Sales

Sales for the three and six month periods ended September 30, 2006 are 10.3% and 7.1% higher, respectively, than the same periods last year. The increase in sales is due to increased volumes from the clinical, long-term care and other product lines, offset by a small decline in the personal hygiene line. The increase in sales is mainly from volume increases. Price increases, which were originally set to take effect last 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 September 30		Change over last year	Six months ended September 30		Change over last year
	2006	2005		2006	2005	
Product Line	$	$		$	$	
Personal hygiene	719,490	719,963	-0.1%	1,416,360	1,436,725	-1.6%
Clinical and long-term care	782,240	717,458	+9.0%	1,715,475	1,556,882	+10.2%
Other	139,284	49,844	+179.4%	165,401	85,677	+93.1%
	1,641,014	1,487,265	+10.3%	3,297,236	3,079,284	+7.1%

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. Other sales for the three and six month periods ended September 30, 2006 include a business interruption insurance claim for sales lost due to the down-time.

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 for the six month period. Higher variable overhead and depreciation were offset by lower material, labour and fixed overhead costs for the three month period.

Cost of Sales	Three months ended September 30		Six months ended September 30	
	2006	2005	2006	2005
	% of sales	% of sales	% of sales	% of sales
Materials	51.4%	53.5%	51.3%	53.2%
Labour	7.7%	7.9%	7.9%	7.6%
Variable overhead	7.4%	6.2%	7.8%	5.7%
Fixed overhead	4.5%	4.8%	4.5%	4.7%
Depreciation	3.4%	2.8%	3.4%	2.7%
Gross Margin	25.6%	24.8%	25.1%	26.1%

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 experienced an increase in direct labour costs over the last several months, which was a temporary problem caused by recently hired employees being less productive than experienced employees. This problem has now been resolved and efficiencies have improved. 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. The local labour shortage, however, may mean higher wage rates in future could increase our overall labour costs.

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 and stock transfer costs between the warehouse and the factory. Our purchase of additional equipment in September 2005 increased our depreciation charges.

Selling Expenses

Selling expenses were higher during 2006 compared to 2005, at 11.4% of sales, compared to 8.5%. The increase is caused by higher freight rates and the addition of a 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 $11,897 for the six month period. Increased interest expense and professional fees offset decreases in other categories. Corporate promotion costs and salaries and employee benefits decreased as a result of lower stock option expense. Interest expense is higher because of increased debt levels and increased interest rates. Increased audit fees and higher legal fees were caused by increased rates.

Liquidity, Financial Position and Capital Resources

Our financial position continued to improve during the six months ended September 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 $234,997 during the six months ended September 30, 2006, an average of $39,166 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 $657,891 at September 30, 2006, compared to $780,183 at March 31, 2006. Principal repayments are $20,382 per month.

In August 2006 our revolving bank loan facility was increased from $650,000 to $1,000,000. $736,282 of this facility was used at September 30, 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 March 31, 2007. In order to meet this requirement, we need operating cash flow, before changes in non-cash working capital, of approximately $200,000 for the six months ending March 31, 2007.

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. Accounts receivable levels have increased 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.

	November 28, 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 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
September 30, 2006

Notice to Reader

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

	September 30 2006	March 31 2006
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	41,369	62,924
Accounts receivable	1,135,300	1,008,730
Inventory	674,340	827,274
Prepaid expenses	63,137	38,813
	1,914,146	1,937,741
PLANT AND EQUIPMENT	2,998,949	3,014,802
	4,913,095	4,952,543
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 2)	736,282	615,101
Accounts payable and accrued liabilities	731,263	888,455
Current portion of term loans (note 2)	244,584	244,584
	1,712,129	1,748,140
TERM LOANS (note 2)	413,307	535,599
FUTURE INCOME TAX LIABILITIES	427,392	384,668
	2,552,828	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	218,034	201,978
RETAINED EARNINGS	103,397	43,322
	2,360,267	2,284,136
	4,913,095	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 September 30		Six months ended September 30	
	2006	2005	2006	2005
	$	$	$	$
Sales	1,641,014	1,487,265	3,297,236	3,079,285
Cost of Sales				
Materials	842,185	795,428	1,692,236	1,639,927
Labour	126,374	117,848	260,158	233,300
Variable overhead	121,115	91,729	257,415	176,356
Fixed overhead	74,520	71,572	148,504	143,451
Depreciation and amortization	56,472	41,311	111,948	81,687
	1,220,666	1,117,888	2,470,261	2,274,721
Gross Profit	420,348	369,377	826,975	804,564
Expenses				
Selling and marketing				
Shipping	130,329	93,770	259,586	201,807
Salaries, commissions and employee benefits	51,198	24,467	97,399	47,688
Other	9,996	8,156	17,546	13,742
	191,523	126,393	374,531	263,237
General and administrative				
Administration and office	28,321	31,949	56,699	58,551
Corporate promotion	13,442	14,197	22,964	25,984
Interest on term loans	11,719	8,612	23,921	15,073
Interest on other debt	11,102	6,317	20,868	12,614
Professional fees	9,808	8,306	18,959	14,081
Salaries and employee benefits	94,185	106,043	206,234	211,445
	168,577	175,424	349,645	337,748
Income for the Period before Taxes	60,248	67,560	102,799	203,579
Provision for Income Taxes				
Current	-	(6,618)	-	21,130
Future	22,501	38,041	42,724	64,897
	22,501	31,423	42,724	86,027
Net Income for the Period	37,747	36,137	60,075	117,552
Retained Earnings (Deficit)				
- Beginning of Period	65,650	10,040	43,322	(71,375)
- End of Period	103,397	46,177	103,397	46,177
Earnings per Share, basic and diluted	0.004	0.004	0.006	0.011

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 September 30		Six months ended September 30	
	2006	2005	2006	2005
	$	$	$	$
Cash Flows from Operating Activities				
Net income for the period	37,747	36,137	60,075	117,552
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	58,551	43,536	116,142	86,112
- stock option expense	452	19,595	16,056	39,191
- future income tax expense	22,501	38,041	42,724	64,897
	119,251	137,309	234,997	307,752
Net change in non-cash working capital related to operating activities	54,416	208,859	(155,152)	23,741
	173,667	346,168	79,845	331,493
Cash Flows from Investing Activities				
Purchase of plant and equipment	(72,538)	(557,339)	(100,289)	(642,000)
Cash Flows from Financing Activities				
Term loan proceeds	-	465,000	-	465,000
Repayment of term loans	(61,146)	(37,503)	(122,292)	(75,006)
(Decrease) increase in bank indebtedness	(41,721)	(159,454)	121,181	(37,416)
	(102,867)	268,043	(1,111)	352,578
(Decrease) Increase in Cash and Cash Equivalents	(1,738)	56,872	(21,555)	42,071
Cash and Cash Equivalents - Beginning of Period	43,107	6,065	62,924	20,866
- End of Period	41,369	62,937	41,369	62,937
Interest Paid	22,881	14,522	44,800	27,261

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
September 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

During the six months ended September 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 March 31, 2007.

3. Share Capital

Stock Options - The following stock options are outstanding at September 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	0.2 years	$0.300	175,000	$0.300
November 30, 2007	75,000	1.2 years	$0.240	37,500	$0.240
December 12, 2007	410,000	1.2 years	$0.120	410,000	$0.120
May 6, 2008	200,000	1.6 years	$0.150	200,000	$0.150
July 7, 2009	635,000	2.8 years	$0.270	635,000	$0.270
	1,495,000	1.8 years	$0.215	1,457,500	$0.214

4. Related Party Transactions

During the six months ended September 30, 2006, the company incurred $7,621 (2005 - $9,686) in legal fees in the normal course of operations with firms in which a director of the company was a partner. $7,621 of the fees (2005 - $4,181) are included in professional fees and $nil (2005 - $5,505) of the fees are included in plant and equipment. At September 30, 2006, accounts payable and accrued liabilities include $2,079 (March 31, 2006 - $2,272) due to the firms.