WestBond Enterprises Corporation

Quarterly Report
June 30, 2007

Management Discussion and Analysis

dated August 28, 2007, to accompany the interim consolidated financial statements for the three month period ended June 30, 2007

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 2007 Annual Report. A pdf version of the 2007 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

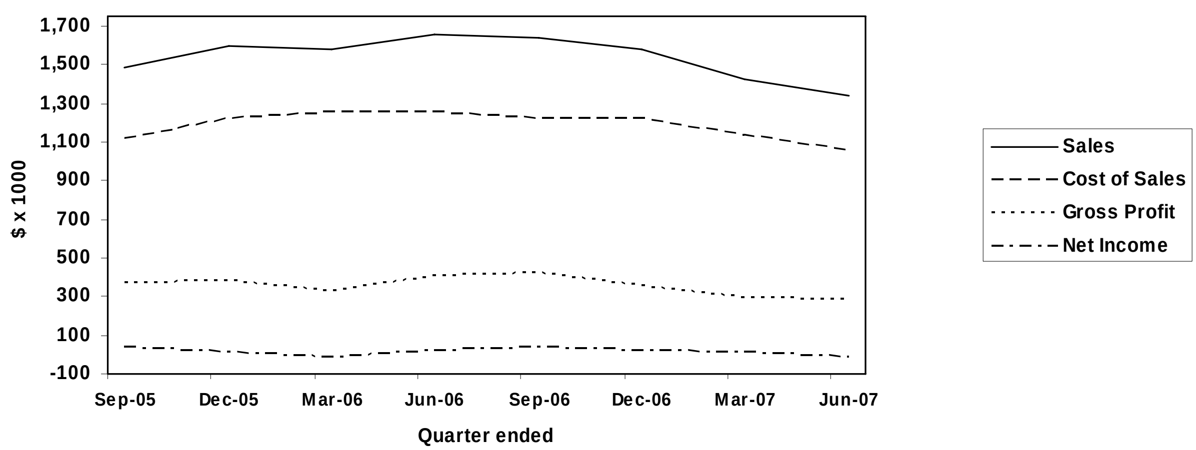
You should refer to our interim consolidated financial statements for the three month period ended June 30, 2007 and our consolidated financial statements for the year ended March 31, 2007 while you read this discussion. Those financial statements provide significant, material information that is not 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 2007 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 25, 2007, the date of the Management Discussion and Analysis in the 2007 Annual Report, is not repeated here.

Sales were $1,339,760 for the three months ended June 30, 2007, which is 19% less than for the same period last year. Net loss was $15,770 ($0.002 per share) for the period, compared to net income of $22,328 ($0.002 per share) for the three months ended June 30, 2007. This year's results are not profitable compared to the same period last year, due to decreased sales, increased fixed overhead expenses and depreciation. The gross profit margin was 21.1% during the three months ended June 30, 2007, compared to 24.6% during the same period last year. The decrease in sales was caused by difficulties in obtaining paper and by labour shortages.

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 2007**	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**
Sales	1,340	1,426	1,580	1,641	1,656	1,581	1,598	1,487
Cost of sales	1,057	1,135	1,223	1,221	1,250	1,249	1,215	1,118
Gross profit	283	291	357	420	406	332	383	369
Selling and marketing expenses	122	161	174	191	183	194	171	125
General and administrative expenses	183	167	152	169	181	178	183	176
Net (loss) income before taxes	(22)	(37)	31	60	42	(40)	29	68
Income tax (recovery) expense	(6)	(52)	11	22	20	(25)	17	31
Net (loss) income	(16)	15	20	38	22	(15)	12	37
(Loss) earnings per share, basic and diluted - Cdn$	(0.002)	0.002	0.002	0.004	0.002	(0.002)	0.001	0.004
Sales - % change over previous quarter	-6.0	-9.8	-3.7	-0.9	4.7	-1.1	7.5	-6.6
Costs, expenses and net income - % of Sales								
Cost of sales	78.9	79.5	77.4	74.4	75.4	79.0	76.0	75.1
Selling and marketing expenses	9.1	11.3	11.0	11.6	11.1	12.3	10.8	8.5
General and administrative expenses	13.7	11.7	9.6	10.3	10.9	11.3	11.4	11.8
Income tax expense	-0.5	-3.6	0.7	1.4	1.2	-1.6	1.0	2.1
Net income	-1.2	1.1	1.3	2.3	1.4	-1.0	0.8	2.5



Sales

Sales for the three months ended June 30, 2007 are 19.1% lower than for the same period last year. The decrease in sales is due to decreased volumes from the personal hygiene and clinical and long-term care product lines. The fluctuations in sales are mainly from volume differences, offset by small price increases. The weak US dollar has also reduced the Canadian dollar value of our sales to the US.

Sales	Three months ended June 30		Change over last year
Product Line	2007 $	2006 $	
Personal hygiene	613,171	696,870	-12.0%
Clinical and long-term care	688,545	933,235	-26.2%
Other	38,044	26,117	+45.7%
	1,339,760	1,656,222	-19.1%

The decreased volumes were caused by difficulties in obtaining paper, primarily for the clinical and long-term care products. Labour shortages also contributed to our not being able to produce enough products to fill our customers' orders. Sales of the personal hygiene products are lower this year because of competition in the US market from China.

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2007 compared to 2006. Higher materials costs, fixed overhead and depreciation were offset by savings on labour and variable overhead.

Cost of Sales	Three months ended June 30	
	2007 % of sales	2006 % of sales
Materials	53.3%	51.3%
Labour	7.0%	8.1%
Variable overhead	7.6%	8.2%
Fixed overhead	6.5%	4.5%
Depreciation	4.5%	3.3%
Gross Margin	21.1%	24.6%

Our normal operating range for materials has been 48% to 54% and the average for the year ended March 31, 2007 was 52%. Materials cost fluctuations are due to variations in the yield factors (the amount of product that a certain weight of paper will produce), paper prices and to product mix. The paper yield factors have improved over the last few quarters as recently hired employees developed more experience in operating our equipment. We also continue to receive favourable pricing on a portion of our paper purchases. 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 are attempting to increase our labour force to handle the volume of sales orders that we expect. The local labour shortage, however, may mean higher wage rates in future could increase our overall labour costs. The inability to hire production employees can also result in lost sales.

The fluctuation in variable overhead is within normal operating ranges, as a percentage of sales. Depreciation is higher because of new equipment brought into production and fixed overhead is higher because of additional warehouse space rented and from increased rental rates.

Selling Expenses

Selling expenses were lower during 2007 compared to 2006, at 9.1% of sales, compared to 11.1% for 2006. The decrease is caused by better freight rates to the United States and to lower commissions paid to the California sales agent. The sales agent's compensation structure is now strictly commission and no longer contains any fixed component.

General and Administrative Expenses

General and administrative expenses were higher in 2007 than in 2006 by $1,905. Increased administration and office and interest on other debt offset decreases in other categories. Administration expense is higher because of increasing the allowance for bad debts, increased bank charges and higher foreign exchange losses. Salaries and employee benefits decreased as a result of lower stock option expense. Interest on long-term debt is lower because the average balance is declining. Interest on other debt is higher because of increased levels of bank indebtedness.

Liquidity, Financial Position and Capital Resources

Our financial position declined slightly during the three months ended June 30, 2007. We had working capital of $78,374 at June 30, 2007 compared to $125,996 at March 31, 2007. Our operating cash flows were $40,862 during the three months ended June 30, 2007, an average of $13,621 per month, compared to an average of $29,063 per month during the year ended March 31, 2007, 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 $474,453 at June 30, 2007, compared to $535,599 at March 31, 2007. In order to improve our ratio of cash flows to term loan repayments, we repaid $93,318 of our bank loans in July 2007. Principal repayments are now $13,715 per month. The funds to repay the bank loan were raised by a private placement of 1,060,000 units at $0.095 per unit. Each unit comprises one common share and one warrant to purchase an additional share at $0.125 per share until July 17, 2012. 1,000,000 of the units were purchased by directors of the company.

We have a revolving bank loan facility of $1,000,000, of which $615,000 was used at June 30, 2007. 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, 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.

We currently plan to spend approximately $200,000 on equipment expansions and improvements over the next twelve months. 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.

New Accounting Policy

The effect of the new accounting policies for financial instruments and comprehensive income adopted by the Canadian Institute of Chartered Accountants, effective for our current fiscal year, is described in note 2 to the interim consolidated financial statements for the three months ended June 30, 2007.

Internal Control over Financial Reporting

No changes in our internal control over financial reporting have occurred during the quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 and has issued warrants to purchase common shares.

	August 28, 2007
Authorized common shares without par value	Unlimited
Issued common shares	11,063,800
Shares issuable on exercise of outstanding warrants	1,060,000
Shares issuable on exercise of outstanding stock options	1,070,000
Shares available for future stock option grants	930,000

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
June 30, 2007

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three month period ended June 30, 2007 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 2007	March 31 2007
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	8,404	33,675
Accounts receivable	859,523	954,201
Inventory	863,010	746,138
Prepaid expenses	36,683	39,303
	1,767,620	1,773,317
PLANT AND EQUIPMENT	2,900,368	2,915,195
	4,667,988	4,688,512
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	615,000	730,000
Accounts payable and accrued liabilities	816,348	639,422
Current portion of term loans (note 3)	257,898	277,899
	1,689,246	1,647,321
TERM LOANS (note 3)	216,555	257,700
FUTURE INCOME TAX LIABILITIES	381,125	387,111
	2,286,926	2,292,132
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 4)		
Authorized - unlimited common shares without par value		
Issued and outstanding - 10,003,800 shares	2,038,836	2,038,836
STOCK OPTIONS	219,390	218,938
RETAINED EARNINGS	122,836	138,606
	2,381,062	2,396,380
	4,667,988	4,688,512

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	
	2007	**2006**
	$	**$**
Sales	1,339,760	1,656,222
Cost of Sales		
Materials	713,745	850,051
Labour	93,588	133,784
Variable overhead	102,197	136,300
Fixed overhead	87,438	73,984
Depreciation and amortization	60,163	55,476
	1,057,131	1,249,595
Gross Profit	282,629	406,627
Expenses		
Selling and marketing		
Shipping	85,270	129,257
Salaries, commissions and employee benefits	30,392	46,201
Other	5,750	7,550
	121,412	183,008
General and administrative		
Administration and office	51,023	28,378
Corporate promotion	8,368	9,522
Interest on term loans	8,499	12,202
Interest on other debt	10,200	9,766
Professional fees	6,256	9,151
Salaries and employee benefits	98,627	112,049
	182,973	181,068
(Loss) Income for the Period before Taxes	(21,756)	42,551
(Recovery of) Provision for Future Income Taxes	(5,986)	20,223
Net (Loss) Income and Comprehensive (Loss) Income for the Period	(15,770)	22,328
Retained Earnings		
- Beginning of Period	138,606	43,322
- End of Period	122,836	65,650
(Loss) Earnings per Share, basic and diluted	(0.002)	0.002

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	
	2007	2006
	$	$
Cash Flows from Operating Activities		
Net (loss) income for the period	(15,770)	22,328
Adjustments to reconcile net (loss) income to cash flows from operating activities		
- depreciation	62,166	57,591
- stock option expense	452	15,604
- future income tax (recovery) expense	(5,986)	20,223
	40,862	115,746
Net change in non-cash working capital related to operating activities	157,352	(209,568)
	198,214	(93,822)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(47,339)	(27,751)
Cash Flows from Financing Activities		
Repayment of term loans	(61,146)	(61,146)
(Decrease) increase in bank indebtedness	(115,000)	162,902
	(176,146)	101,756
Decrease in Cash and Cash Equivalents	(25,271)	(19,817)
Cash and Cash Equivalents - Beginning of Period	33,675	62,924
- End of Period	8,404	43,107
Interest Paid	19,312	21,919

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2007
(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. Except as disclosed below in note 2, 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, 2007. 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, 2007.

2. Adoption of New Accounting Policies

New accounting policies for financial instruments and comprehensive income apply to the company effective April 1, 2007, the beginning of the current fiscal year. The new accounting policies require certain financial instruments to be stated at fair value on the balance sheet and unrealized gains and losses arising from those financial instruments not to be reflected in net income but rather in “other comprehensive income” which, combined with net income, equals “comprehensive income”. Certain other gains and losses are also to be included in other comprehensive income.

The adoption of these new accounting policies has no effect on the balance sheets, net income or comprehensive income of the company for the current or prior periods; however, certain additional disclosures on financial instruments are required. In addition to credit risk (see note 4 to the consolidated financial statements for the year ended March 31, 2007), the company’s financial instruments are also subject to interest rate cash flow risk and to currency risk.

The company’s bank indebtedness and term loans are at interest rates that fluctuate with market interest rates. At the levels of indebtedness at June 30, 2007, a 1% increase in the annual rate of interest would cause interest expense to increase and operating cash flows to decrease by $10,895 per year.

Portions of the company’s cash, accounts receivable and accounts payable are denominated in US dollars; accordingly, the company is exposed to fluctuations in the US/Cdn dollar exchange rates. While the amounts of exposure change on a daily basis, the company generally has more US dollar financial assets than US dollar liabilities. Over the past year, the exposure ranged from US$1,000 to US$227,000 and averaged approximately US$100,000 (calculated on a quarterly basis). Each change of 1% (e.g., a change from US$1.00 = Cdn$1.05 to Cdn$1.06) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn$1,000 on an exposure of US$100,000. During the three months ended June 30, 2007, the company realized foreign exchange losses of $8,979 (2006 - $3,566). The US dollar financial assets generally result from sales to US customers. The US dollar financial liabilities generally result from purchases of raw materials from US suppliers. As the company’s US dollar purchases generally exceed US dollar sales, the financial instrument currency risk is generally offset by an opposing change in the company’s gross profit.

3. Term Loans

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. The company did not comply with this covenant for the four quarters ended June 30, 2007; however, subsequent to June 30, 2007, the company and the bank amended the agreement such that the bank agreed to waive this non-compliance at June 30, 2007, provided the loan maturing on August 22, 2008 was repaid in full. That loan was repaid in full subsequent to June 30, 2007.

4. Share Capital

Stock Options - The following stock options are outstanding at June 30, 2007.

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
November 30, 2007	75,000	0.4 years	$0.240	65,625	$0.240
December 12, 2007	410,000	0.5 years	$0.120	410,000	$0.120
May 6, 2008	100,000	0.9 years	$0.150	100,000	$0.150
July 7, 2009	560,000	2.0 years	$0.270	560,000	$0.270
	1,145,000	1.3 years	$0.204	1,135,625	$0.203

Subsequent to June 30, 2007 the options to purchase 75,000 shares at $0.24 per share until November 30, 2007 were forfeited.

Subsequent to June 30, 2007 the company issued, for cash proceeds of $100,700, 1,060,000 common shares and warrants to purchase an additional 1,060,000 shares at $0.125 per share until July 17, 2012.

5. Related Party Transactions

During the three months ended June 30, 2007, the company incurred $nil (2006 - $3,888) 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 and are at rates comparable to those charged to un-related parties.