



WestBond Enterprises Corporation

Quarterly Report September 30, 2008

Management Discussion and Analysis

dated November 28, 2008, to accompany the interim consolidated financial statements for the three and six month periods ended September 30, 2008

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 2008 Annual Report. A pdf version of the 2008 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, 2008 and our consolidated financial statements for the year ended March 31, 2008 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 2008 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2008, the date of the Management Discussion and Analysis in the 2008 Annual Report, is not repeated here.

Sales were \$1,454,909 for the three months ended September 30, 2008, which is 7.6% lower than for the same period last year and 1.5% more than the three months ended June 30, 2008. Net income was \$7,747 (\$0.001 per share) for the period, compared to \$27,627 (\$0.003 per share) for the three months ended September 30, 2007. This year’s results are less profitable than the same period last year due to lower sales and lower gross margin ratios.

The graph on the next page shows the trends over the past eight quarters.

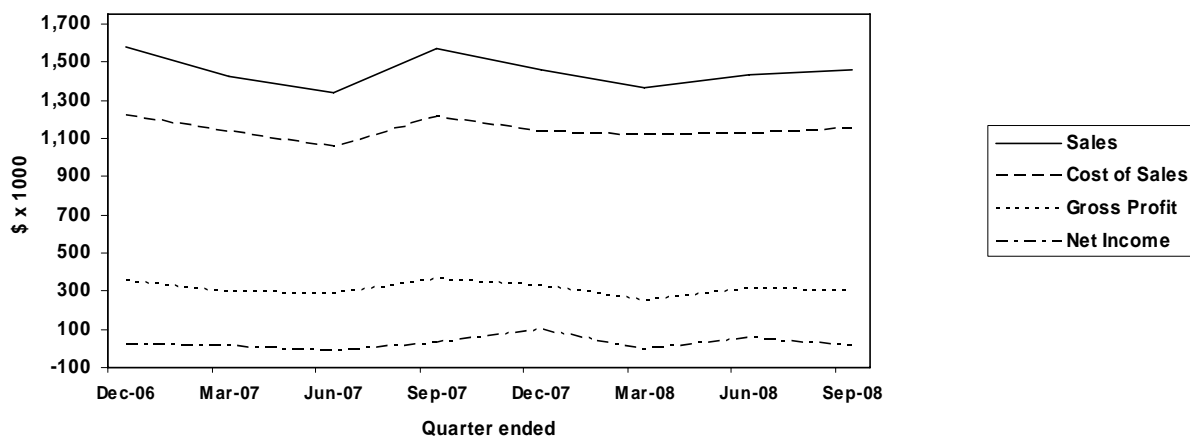
Summary of Quarterly Results

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.

Cdn\$ x 1,000	Quarters ended							
	Sep 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006
Sales	1,455	1,434	1,364	1,462	1,574	1,340	1,426	1,580
Cost of sales	1,153	1,124	1,113	1,135	1,211	1,057	1,135	1,223
Gross profit	302	310	251	327	363	283	291	357
Selling and marketing expenses	129	118	119	125	154	122	161	174
General and administrative expenses	159	141	144	135	175	183	167	152
Net income (loss) before taxes	14	51	(12)	67	34	(22)	(37)	31
Income tax expense (recovery)	6	(1)	(2)	(26)	7	(6)	(52)	11
Net income (loss)	8	52	(10)	93	27	(16)	15	20
Earnings (loss) per share, basic and diluted - Cdn\$	0.001	0.005	(0.001)	0.008	0.003	(0.002)	0.002	0.002
Sales - % change over previous quarter	1.5	5.1	-6.7	-7.1	17.5	-6.0	-9.8	-3.7

Costs, expenses and net income - % of Sales

Cost of sales	79.3	78.4	81.5	77.6	76.9	78.9	79.5	77.4
Selling and marketing expenses	8.9	8.2	8.7	8.5	9.8	9.1	11.3	11.0
General and administrative expenses	10.9	9.9	10.6	9.2	11.1	13.7	11.7	9.6
Income tax expense	0.4	-0.1	-0.1	-1.7	0.4	-0.5	-3.6	0.7
Net income	0.5	3.6	-0.7	6.4	1.8	-1.2	1.1	1.3



Sales

Sales for the three months ended September 30, 2008 are 7.6% lower than for the same period last year. Sales for the six month period were 0.9% lower in 2008 than 2007. The decrease in sales is due to US priced competition in the personal hygiene and other markets, offset by increased volume from the 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 reduces the Canadian dollar value of our sales to the US and causes US priced competitors' product to be cheaper in Canada.

Sales	Three months ended September 30		Change over last year	Six months ended September 30		Change over last year
	2008	2007		2008	2007	
Product Line	\$	\$	\$	\$	\$	
Personal hygiene	619,047	701,665	-11.8%	1,231,094	1,314,836	-6.4%
Clinical and long-term care	827,972	785,912	+5.4%	1,597,031	1,474,457	+8.3%
Other	7,890	86,503	-90.9%	60,457	124,547	-51.5%
	<u>1,454,909</u>	<u>1,574,080</u>	<u>-7.6%</u>	<u>2,888,582</u>	<u>2,913,840</u>	<u>-0.9%</u>

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2008 compared to 2007. Higher materials and labour costs and fixed overhead were offset by savings on variable overhead.

Cost of Sales	Three months ended September 30		Six months ended September 30	
	2008	2008	2008	2007
	% of sales	% of sales	% of sales	% of sales
Materials	54.4%	53.4%	54.1%	53.3%
Labour	7.8%	7.4%	7.5%	7.2%
Variable overhead	6.1%	6.2%	6.1%	6.9%
Fixed overhead	6.5%	6.0%	6.6%	6.2%
Depreciation	4.5%	3.9%	4.5%	4.2%
Gross Margin	<u>79.3%</u>	<u>76.9%</u>	<u>78.8%</u>	<u>77.8%</u>

Our normal operating range for materials has been 51% to 54% and the average for the year ended March 31, 2008 was 53%. 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 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 during the period 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. Fixed overhead is higher because of additional warehouse space rented and from increased rental rates.

Selling Expenses

Selling expenses were lower during 2008 compared to 2007, at 8.5% of sales, compared to 9.4% for 2007. The decrease is caused by fewer shipments to and better freight rates to the United States and to lower product development costs.

General and Administrative Expenses

General and administrative expenses were lower in 2008 than in 2007 by \$58,031. Increased professional fees offset decreases in other categories. Administration expense is lower because of higher foreign exchange losses (\$17,871) realized in 2007 and bad debts (\$13,000) written off in 2007. Corporate promotion is decreased because we discontinued much of the activities. Professional fees are higher because of increasing audit costs. Salaries and employee benefits decreased due to a temporary reduction in staffing levels. Interest on long-term debt is lower because the average balance is declining. Interest on other debt is lower because of lower levels of bank indebtedness.

During the six months ended September 30, 2008 professional fees include \$8,223 paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, one of our directors, is a partner. The payments represent fees for legal services provided to the Company at rates normally charged to arm's length parties.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the six months ended September 30, 2008. We had working capital of \$343,741 at September 30, 2008 compared to \$241,214 at March 31, 2008. Our operating cash flows were \$206,524 during the six months ended September 30, 2008, an average of \$34,421 per month, compared to an average of \$27,428 per month during the year ended March 31, 2008, 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 \$181,284 at September 30, 2008, compared to \$257,700 at March 31, 2008. Principal repayments are now \$7,881 per month.

We have a revolving bank loan facility of \$1,000,000, of which \$556,593 was used at September 30, 2008. 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 \$700,000 are not included in the calculation. Additionally, earnings before interest, taxes and depreciation, calculated on a rolling four quarter basis, must be maintained at 1.25 times the current portion of long-term debt plus interest expense.

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.

Our operations and liquidity have not been affected yet by the current US credit crisis and economic down turn. This economic volatility may have an adverse affect on future operations. We continue to monitor the affects on our customers, particularly in the United States.

New Accounting Policies

New accounting policies that are effective for our current fiscal year are described in note 2 to the interim consolidated financial statements and in note 2 to the financial statements for the year ended March 31, 2008.

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.

	<u>November 28, 2008</u>
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	1,360,000
Shares available for future stock option grants	640,000

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, 2008

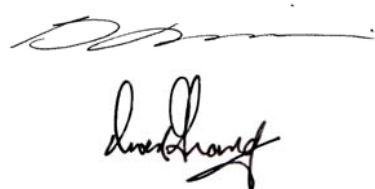
Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and six month periods ended September 30, 2008 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	March 31
	2008	2008
	<u>\$</u>	<u>\$</u>
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	89,523	43,658
Accounts receivable	671,221	702,035
Inventory	765,572	725,697
Prepaid expenses	56,321	43,306
	<u>1,582,637</u>	<u>1,514,696</u>
PLANT AND EQUIPMENT	<u>2,766,302</u>	<u>2,842,813</u>
	<u><u>4,348,939</u></u>	<u><u>4,357,509</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	556,593	580,000
Accounts payable and accrued liabilities	587,731	569,780
Current portion of term loans	94,572	123,702
	<u>1,238,896</u>	<u>1,273,482</u>
TERM LOANS	86,712	133,998
FUTURE INCOME TAX LIABILITIES	<u>365,640</u>	<u>360,191</u>
	<u><u>1,691,248</u></u>	<u><u>1,767,671</u></u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL		
Authorized - unlimited common shares without par value		
Issued and outstanding - 11,063,800 shares	2,099,703	2,099,703
Warrants	32,364	32,364
STOCK OPTIONS	232,560	223,780
RETAINED EARNINGS	<u>293,064</u>	<u>233,991</u>
	<u><u>2,657,691</u></u>	<u><u>2,589,838</u></u>
	<u><u>4,348,939</u></u>	<u><u>4,357,509</u></u>

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, Comprehensive Income and Retained Earnings
(Unaudited - See Notice to Reader)
(Canadian Dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales	1,454,909	1,574,080	2,888,582	2,913,840
Cost of Sales				
Materials	791,437	840,283	1,562,697	1,554,028
Labour	113,226	115,697	217,904	209,285
Variable overhead	88,510	98,300	175,864	200,497
Fixed overhead	94,492	94,584	192,040	182,022
Depreciation	65,381	62,008	128,938	122,171
	<u>1,153,046</u>	<u>1,210,872</u>	<u>2,277,443</u>	<u>2,268,003</u>
Gross Profit	<u>301,863</u>	<u>363,208</u>	<u>611,139</u>	<u>645,837</u>
Expenses				
Selling and marketing				
Shipping	96,050	101,290	181,913	186,560
Salaries, commissions and employee benefits	27,120	46,119	56,529	76,511
Other	5,834	6,213	8,154	11,963
	<u>129,004</u>	<u>153,622</u>	<u>246,596</u>	<u>275,034</u>
General and administrative				
Administration and office	26,447	34,889	54,434	85,912
Corporate promotion	1,694	3,604	2,030	11,972
Interest on term loans	2,741	6,592	6,037	15,091
Interest on other debt	6,970	9,503	14,664	19,703
Professional fees	29,924	23,003	40,503	29,259
Salaries and employee benefits	91,226	97,758	182,353	196,385
	<u>159,002</u>	<u>175,349</u>	<u>300,021</u>	<u>358,322</u>
Income for the Period before Taxes	<u>13,857</u>	<u>34,237</u>	<u>64,522</u>	<u>12,481</u>
Future Income Taxes	<u>6,110</u>	<u>6,610</u>	<u>5,449</u>	<u>624</u>
Net Income and Comprehensive Income for the Period	7,747	27,627	59,073	11,857
Retained Earnings				
- Beginning of Period	<u>285,317</u>	<u>122,836</u>	<u>233,991</u>	<u>138,606</u>
- End of Period	<u>293,064</u>	<u>150,463</u>	<u>293,064</u>	<u>150,463</u>
Earnings per Share, basic and diluted	<u>0.001</u>	<u>0.003</u>	<u>0.005</u>	<u>0.001</u>

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		Six months ended	
	September 30		September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash Flows from Operating Activities				
Net income for the period	7,747	27,627	59,073	11,857
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	67,535	64,089	133,222	126,255
- stock option expense	4,390	-	8,780	452
- future income tax	6,110	6,610	5,449	624
	<u>85,782</u>	<u>98,326</u>	<u>206,524</u>	<u>139,188</u>
Net change in non-cash working capital related to operating activities	<u>(82,933)</u>	<u>118,735</u>	<u>12,631</u>	<u>276,087</u>
	<u>2,849</u>	<u>217,061</u>	<u>219,155</u>	<u>415,275</u>
Cash Flows from Investing Activities				
Purchase of plant and equipment	<u>(36,664)</u>	<u>(59,354)</u>	<u>(73,467)</u>	<u>(106,693)</u>
Cash Flows from Financing Activities				
Issuance of shares and warrants for cash	-	100,700	-	100,700
Share issuance cost	-	(7,469)	-	(7,469)
Repayment of term loans	(35,271)	(134,463)	(76,416)	(195,609)
Increase (decrease) in bank indebtedness	68,495	(72,553)	(23,407)	(187,553)
	<u>33,224</u>	<u>(113,785)</u>	<u>(99,823)</u>	<u>(289,931)</u>
(Decrease) Increase in Cash and Cash Equivalents	(591)	43,922	45,865	18,651
Cash and Cash Equivalents				
- Beginning of Period	<u>90,114</u>	<u>8,404</u>	<u>43,658</u>	<u>33,675</u>
- End of Period	<u>89,523</u>	<u>52,326</u>	<u>89,523</u>	<u>52,326</u>
Interest Paid	<u>9,589</u>	<u>16,391</u>	<u>21,843</u>	<u>35,703</u>
Non-Cash Investing Activities				
Decrease in accounts payable related to purchase of plant and equipment	<u>(35,683)</u>	<u>-</u>	<u>(16,756)</u>	<u>-</u>

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
September 30, 2008
(Unaudited – See Notice to Reader)

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, 2008. 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, 2008.

2. Adoption of New Accounting Policies

Effective April 1, 2008, the company adopted the new accounting policies in CICA Sections: 1535, *Capital Disclosures*; 3863, *Financial Instruments – Disclosure and Presentation*; and 3031, *Inventories*. The new policies are summarized in note 2 to the consolidated financial statements of the company for the year ended March 31, 2008. Other than the disclosure of the additional information shown below, there has been no impact from the adoption of these policies on the company's consolidated financial statements.

Inventories – Raw materials inventory costs include all costs incurred to bring the materials to their current state and location, including the purchase price, duties, non-refundable taxes and freight. Finished goods inventory includes, in addition to the cost of the raw materials incorporated into their manufacture, the costs of labour incurred directly in their manufacture and an allocation of indirect variable overhead, fixed overhead and depreciation on plant and equipment. The overhead allocation is based on the pro-portionate costs of the direct materials and labour costs included in finished goods inventory to the total materials and labour costs incurred during the period.

Capital Disclosures – The company's objectives when managing capital are: to safeguard the ability of the company to continue as a going concern; to permit the company to continue expanding its operations, to the extent compatible and economically viable expansion opportunities are available; and to maximize shareholder returns. The company employs policies and processes for managing capital: to ensure that the covenants and terms under its bank indebtedness and term loans are complied with; to ensure that adequate prices are received for the company's production to maximize operating cash flows; and to maximize shareholder returns.

3. Share Capital

Stock Options - During the six months ended September 30, 2008, options to purchase 100,000 shares at \$0.15 per share until May 6, 2008 expired unexercised. The following stock options are outstanding at September 30, 2008.

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
July 7, 2009	560,000	0.8 years	\$0.270	560,000	\$0.270
March 12, 2013	800,000	4.4 years	\$0.100	300,000	\$0.100
	<u>1,360,000</u>	<u>2.9 years</u>	<u>\$0.170</u>	<u>860,000</u>	<u>\$0.211</u>

4. Related Party Transactions

During the six months ended September 30, 2008, the company incurred \$8,223 (2007 – \$9,879) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. \$8,223 (2007 – \$3,641) of the fees are included in professional fees and \$nil (2007 – \$6,238) are included in share issuance costs. The fees and are at rates comparable to those charged to un-related parties.