



WestBond Enterprises Corporation

Quarterly Report June 30, 2009

Management Discussion and Analysis

dated August 31, 2009, to accompany the interim consolidated financial statements for the three months ended June 30, 2009

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 2009 Annual Report. A pdf version of the 2009 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 months ended June 30, 2009 and our consolidated financial statements for the year ended March 31, 2009 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 2009 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 8, 2009, the date of the Management Discussion and Analysis in the 2009 Annual Report, is not repeated here.

Sales were \$1,706,449 for the three months ended June 30, 2009, which is 19% more than for the same period last year and 11% more than the three months ended March 31, 2009. Net income also increased by 22% to \$62,727 (\$0.006 per share) for the period, compared to \$51,326 (\$0.005 per share) for the three months ended June 30, 2008. This year's results are more profitable than the same period last year because of the increase in sales.

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

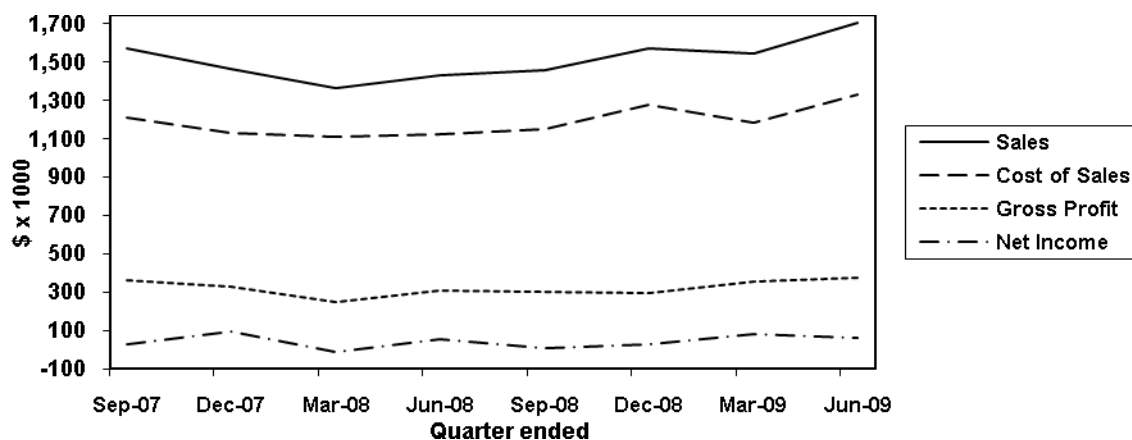
Summary of Quarterly Results

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							
	Jun 30 2009	Mar 31 2009	Dec 31 2008	Sep 30 2008	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007
Sales	1,706	1,543	1,572	1,455	1,434	1,364	1,462	1,574
Cost of sales	1,330	1,188	1,278	1,153	1,124	1,113	1,135	1,211
Gross profit	376	355	294	302	310	251	327	363
Selling and marketing expenses	133	120	120	129	118	119	125	154
General and administrative expenses	157	148	135	159	141	144	135	175
Net income (loss) before taxes	86	87	39	14	51	(12)	67	34
Income tax expense (recovery)	23	9	12	6	(1)	(2)	(26)	7
Net income (loss)	63	78	27	8	52	(10)	93	27
Earnings (loss) per share, basic and diluted - Cdn\$	0.006	0.007	0.002	0.001	0.005	(0.001)	0.008	0.003
Sales - % change over previous quarter	10.6	-1.8	8.1	1.5	5.1	-6.7	-7.1	17.5

Costs, expenses and net income - % of Sales

Cost of sales	78.0	77.0	81.3	79.3	78.4	81.5	77.6	76.9
Selling and marketing expenses	7.8	7.8	7.6	8.9	8.2	8.7	8.5	9.8
General and administrative expenses	9.2	9.6	8.6	10.9	9.9	10.6	9.2	11.1
Income tax expense	1.3	0.6	0.8	0.4	-0.1	-0.1	-1.7	0.4
Net income	3.7	5.0	1.7	0.5	3.6	-0.7	6.4	1.8



Sales

Sales for the three months ended June 30, 2009 are 19.0% higher than for the same period last year. The increase in sales is due to increased volumes from the personal hygiene and clinical and long-term care product lines. The fluctuations in sales are from volume differences.

Sales	Three months ended June 30		Change over last year
	2009	2008	
Product Line	\$	\$	
Personal hygiene	809,462	612,047	32.3%
Clinical and long-term care	847,271	769,059	10.2%
Other	49,716	52,567	-5.4%
	<u>1,706,449</u>	<u>1,433,673</u>	<u>19.0%</u>

Cost of Sales

Total cost of sales, as a percentage of sales, was slightly better in 2009 compared to 2008. Higher materials and labour costs were offset by savings on overhead.

Cost of Sales	Three months ended June 30	
	2009 % of sales	2008 % of sales
Materials	54.4%	53.8%
Labour	8.3%	7.3%
Variable overhead	5.9%	6.1%
Fixed overhead	5.6%	6.8%
Depreciation	3.8%	4.4%
Gross Margin	<u>22.0%</u>	<u>21.6%</u>

Our normal operating range for materials has been 51% to 54% and the average for the year ended March 31, 2009 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), paper prices and product mix.

The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. We have increased our wage rates in order to retain the more efficient employees and to attract good machine operators. The inability to hire or retain production employees can result in lost sales.

The decrease in overhead as a percentage of sales is due to the increased sales. Variable overhead is higher in 2009 because of increased warehouse and supervisory wages, waste disposal costs and utilities costs.

Selling Expenses

Selling expenses were lower during 2009, at 7.8% of sales, compared to 8.2% for 2008. The decrease is caused by better freight rates.

General and Administrative Expenses

General and administrative expenses were higher in 2009 than in 2008 by \$15,968. Administration and office expense is higher because of foreign exchange losses of \$15,339 realized in 2009. Professional fees are higher because of increasing audit costs. Salaries and employee benefits increased due to a temporary reduction in staffing levels during 2008. Interest is lower because of lower levels of bank indebtedness and long-term debt and lower interest rates.

During the three months ended June 30, 2009 professional fees include \$2,695 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 three months ended June 30, 2009. We had working capital of \$623,079 at June 30, 2009 compared to \$520,579 at March 31, 2009. Our operating cash flows were \$158,023 during the three months ended June 30, 2009, an average of \$52,674 per month, compared to an average of \$39,755 per month during the year ended March 31, 2009, 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 \$110,355 at June 30, 2009, compared to \$133,998 at March 31, 2009. Principal repayments are \$7,881 per month.

We have a revolving bank loan facility of \$1,000,000, of which \$440,000 was used at June 30, 2009. 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.

New Accounting Policies

There are no new accounting policies that are effective for our current fiscal year that are expected to have a material affect on our consolidated financial statements. International Financial Reporting Standards will apply to our consolidated financial statements commencing with the year ending March 31, 2012. We have not yet determined the impact on our financial statements.

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>August 31, 2009</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	800,000
Shares available for future stock option grants	1,200,000

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 2012, subject to further renewal. 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, 2009

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three months ended June 30, 2009 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	March 31
	2009	2009
	<u>\$</u>	<u>\$</u>
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	165,632	151,259
Accounts receivable	814,476	845,318
Inventory	931,859	830,080
Prepaid expenses	32,224	42,406
	<u>1,944,191</u>	<u>1,869,063</u>
PLANT AND EQUIPMENT	<u>2,640,249</u>	<u>2,675,836</u>
	<u><u>4,584,440</u></u>	<u><u>4,544,899</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	440,000	585,000
Accounts payable and accrued liabilities	786,540	668,915
Current portion of term loans	94,572	94,572
	<u>1,321,112</u>	<u>1,348,487</u>
TERM LOANS	15,783	39,426
FUTURE INCOME TAX LIABILITIES	<u>409,422</u>	<u>385,980</u>
	<u><u>1,746,317</u></u>	<u><u>1,773,893</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	245,730	241,340
RETAINED EARNINGS	<u>460,326</u>	<u>397,599</u>
	<u>2,838,123</u>	<u>2,771,006</u>
	<u><u>4,584,440</u></u>	<u><u>4,544,899</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	
	June 30	
	2009	2008
	\$	\$
Sales	1,706,449	1,433,673
Cost of Sales		
Materials	928,293	771,260
Labour	140,900	104,678
Variable overhead	100,570	87,354
Fixed overhead	95,629	97,548
Depreciation	65,276	63,557
	<u>1,330,668</u>	<u>1,124,397</u>
Gross Profit	<u>375,781</u>	<u>309,276</u>
Expenses		
Selling and marketing		
Shipping	96,163	85,863
Salaries, commissions and employee benefits	33,673	29,409
Other	2,789	2,320
	<u>132,625</u>	<u>117,592</u>
General and administrative		
Administration and office	40,638	27,987
Corporate promotion	-	336
Interest on term loans	941	3,296
Interest on other debt	3,957	7,694
Professional fees	13,711	10,579
Salaries and employee benefits	97,740	91,127
	<u>156,987</u>	<u>141,019</u>
Income for the Period before Taxes	<u>86,169</u>	<u>50,665</u>
Future Income Tax Expense (Recovery)	<u>23,442</u>	<u>(661)</u>
Net Income and Comprehensive		
Income for the Period	62,727	51,326
Retained Earnings		
- Beginning of Period	<u>397,599</u>	<u>233,991</u>
- End of Period	<u>460,326</u>	<u>285,317</u>
Earnings per Share,		
basic and diluted	<u>0.006</u>	<u>0.005</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 June 30	
	<u>2009</u>	<u>2008</u>
	\$	\$
Cash Flows from Operating Activities		
Net income for the period	62,727	51,326
Adjustments to reconcile net income to cash flows from operating activities		
- depreciation	67,464	65,687
- stock option expense	4,390	4,390
- future income tax expense (recovery)	23,442	(661)
	<u>158,023</u>	<u>120,742</u>
Net change in non-cash working capital related to operating activities	<u>69,264</u>	<u>95,564</u>
	<u>227,287</u>	<u>216,306</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	<u>(44,271)</u>	<u>(36,803)</u>
Cash Flows from Financing Activities		
Repayment of term loans	(23,643)	(41,145)
Decrease in bank indebtedness	<u>(145,000)</u>	<u>(91,902)</u>
	<u>(168,643)</u>	<u>(133,047)</u>
Increase in Cash and Cash Equivalents	14,373	46,456
Cash and Cash Equivalents		
- Beginning of Period	<u>151,259</u>	<u>43,658</u>
- End of Period	<u>165,632</u>	<u>90,114</u>
Interest Paid	<u>5,075</u>	<u>12,255</u>
Non-Cash Investing Activities		
(Decrease) increase in accounts payable related to purchase of plant and equipment	<u>(12,394)</u>	<u>18,927</u>

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2009
(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. 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, 2009. 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, 2009.

2. Share Capital

Stock Options - The following stock options are outstanding at June 30, 2009.

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	0.0 years	\$0.270	560,000	\$0.270
March 12, 2013	800,000	3.7 years	\$0.100	600,000	\$0.100
	<u>1,360,000</u>	<u>2.2 years</u>	<u>\$0.170</u>	<u>1,160,000</u>	<u>\$0.182</u>

Subsequent to June 30, 2009 the options to purchase 560,000 common shares at \$0.27 per share expired without being exercised.

3. Related Party Transactions

During the three months ended June 30, 2009, the company incurred \$2,695 (2008 – \$1,929) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. The fees are included in professional fees and are at rates comparable to those charged to un-related parties.