WestBond Enterprises Corporation

Quarterly Report
June 30, 2012

Management Discussion and Analysis

Dated August 27, 2012 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2012

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 2012 Annual Report. A pdf version of the 2012 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, 2012 and our consolidated financial statements for the year ended March 31, 2012 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 2012 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 20, 2012, the date of the Management Discussion and Analysis in the 2012 Annual Report, is not repeated here.

Sales were $1,566,296 for the three months ended June 30, 2012, which is 3.2% higher than for the three months ended June 30, 2011 and 1.8% higher than for the three months ended March 31, 2012. We realized a profit of $26,493 ($0.002 per share) for the three months ended June 30, 2012, compared to $59,442 ($0.005 per share) for the three months ended June 30, 2011. This year's profit is lower than the same period last year because of higher raw material prices and depreciation, which were offset by foreign exchange gains.

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

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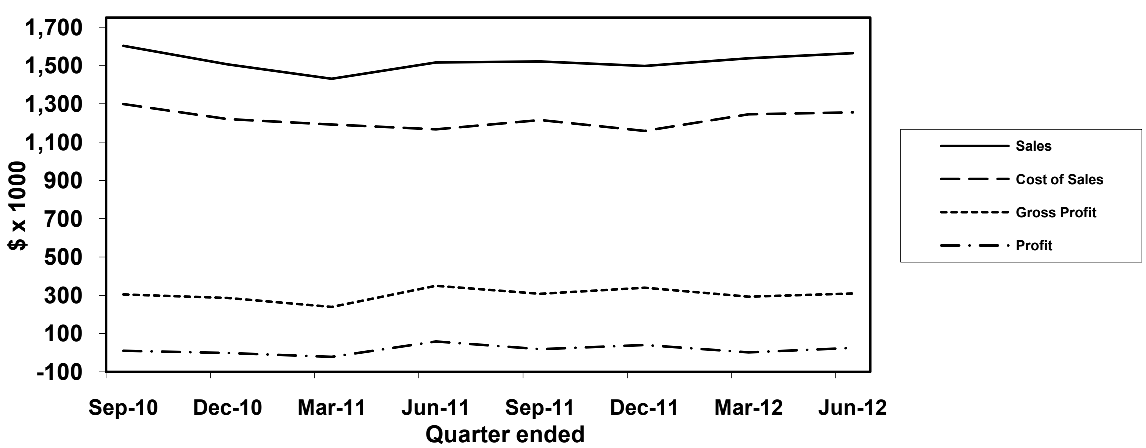
Summary of Quarterly Results

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 International Financial Reporting Standards.

	Quarters ended							
Cdn$ x 1,000	**Jun 30 2012**	**Mar 31 2012**	**Dec 31 2011**	**Sep 30 2011**	**Jun 30 2011**	**Mar 31 2011**	**Dec 31 2010**	**Sep 30 2010**
Sales	1,566	1,539	1,499	1,523	1,517	1,432	1,507	1,604
Cost of sales	1,256	1,245	1,159	1,215	1,167	1,192	1,221	1,299
Gross profit	310	294	340	308	350	240	286	305
Selling and distribution expenses	136	137	137	139	133	128	129	141
General and administrative expenses	138	146	139	146	132	133	144	138
Other expenses (income)	-	7	7	(5)	5	7	12	11
Profit (loss) before tax	36	4	57	28	80	(28)	1	15
Income tax expense (recovery)	10	1	15	8	21	(7)	1	4
Profit (loss)	26	3	42	20	59	(21)	0	11
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.000	0.004	0.002	0.005	(0.002)	0.000	0.001
Sales - % change over previous quarter	1.8	2.7	-1.6	0.4	6.0	-5.0	-6.1	4.1
Costs, expenses and profit - % of Sales								
Cost of sales	80.2	80.9	77.3	79.8	77.0	83.2	81.0	80.9
Selling and distribution expenses	8.7	8.9	9.2	9.1	8.7	9.0	8.6	8.8
General and administrative expenses	8.8	9.5	9.3	9.6	8.7	9.3	9.5	8.6
Other expenses (income)	0.0	0.4	0.4	-0.3	0.3	0.5	0.8	0.7
Income tax expense	0.6	0.1	1.0	0.5	1.4	-0.5	0.1	0.3
Profit	1.7	0.2	2.8	1.3	3.9	-1.5	0.0	0.7



Sales

Sales for the three months ended June 30, 2012 are 3.2% higher than for the same period last year and 1.8% higher than the previous quarter, ended March 31, 2012. Competition from low priced US and Chinese producers and the cheap US dollar continued to keep growth in the sales of and margins on our personal hygiene products at a lower level than we would like. The change over last year in clinical and long-term care and other products is primarily due to the timing of large orders placed by some of our customers.

Sales	Three months ended June 30		Change over last year
Product Line	2012 $	2011 $	
Personal hygiene	629,999	607,485	3.7%
Clinical and long-term care	864,371	813,909	6.2%
Other	71,927	95,703	-24.8%
	1,566,296	1,517,097	3.2%

Cost of Sales

Materials costs, as a percentage of sales, were higher in 2012 than in 2011 due to higher prices for raw materials. In the June 2011 quarter, we received some exceptional pricing, which caused unusually low materials costs. Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2012 was 52.5%.

Direct production labour is lower in 2012 than in 2011 because of increased efficiency made possible by new equipment and improvements to older equipment. Factory overhead labour and variable overhead were higher in 2012 than in 2011 because of higher equipment maintenance activity. Depreciation was higher in 2012 than in 2011 because of new equipment brought into production during the latter part of the year ended March 31, 2012.

Cost of Sales	Three months ended June 30 2012 % of sales	2011 % of sales
Materials	54.4%	51.7%
Production labour	7.1%	7.8%
Factory overhead labour	4.4%	4.2%
Variable overhead	2.6%	2.2%
Fixed overhead	7.2%	7.3%
Depreciation	4.6%	3.8%
Gross Margin	19.8%	23.0%

Selling Expenses

Selling expenses were similar during 2012 and 2011, at 8.7% of sales. Lower shipping costs were offset by higher commissions and employee benefits.

General and Administrative Expenses

General and administrative expenses were similar in 2012 and 2011, with the exception of higher professional fees in 2012 for the audit of our transition to International Financial Reporting Standards.

During the three months ended June 30, 2012, the company incurred total short-term employee benefits of $80,348 (2011 – $78,670) to its key management personnel, comprising the directors and officers of the company, and incurred $2,532 (2011 – $650) of professional fees in the normal course of operations paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, a director of the company, is a partner. The professional fees are 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, 2012. We had working capital of $901,842 at June 30, 2012, compared to $814,951 at March 31, 2012. Our operating cash flows were $103,146 during the three months ended June 30, 2012, an average of $34,382 per month, compared to an average of $35,627 per month during the year ended March 31, 2012, 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.

We have a revolving bank loan facility of $1,000,000, of which $347,000 was used at June 30, 2012. 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. Substantially all of the Company’s assets are pledged as collateral for the revolving bank loan facility.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $300,000 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 also have a $166,664 non-revolving bank loan that is repayable in monthly instalments of principal of $5,556 until November 30, 2012 at which time the remaining principal and interest is due. The loan bears interest at bank prime plus 1%, payable monthly. A fixed charge on the specific equipment purchased with the loan proceeds is pledged as collateral.

We currently plan to spend a total of approximately $200,000 on equipment expansions and improvements during the year ending March 31, 2013. 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 effect on our consolidated 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.

	August 27, 2012
Authorized common shares without par value	Unlimited
Issued common shares	11,063,800
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 (currently scheduled for September 4, 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.

Other Information

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's web-site at www.westbond.ca.

WestBond Enterprises Corporation

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three month periods ended June 30, 2012 and 2011 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 Statements of Financial Position
Canadian Dollars
(Unaudited)

	June 30 2012	March 31 2012
	$	$
ASSETS		
Non-Current Assets		
Plant and equipment	2,633,656	2,690,079
Lease deposits	22,433	22,433
	2,656,089	2,712,512
Current Assets		
Inventory	896,540	1,099,252
Trade and other receivables	862,490	811,911
Prepaid expenses	22,820	34,329
Cash and cash equivalents	263,267	98,183
	2,045,117	2,043,675
Total Assets	4,701,206	4,756,187
EQUITY AND LIABILITIES		
Equity		
Common shares issued and outstanding	2,099,703	2,099,703
Warrants	32,364	32,364
Stock options	254,510	254,510
Retained earnings	681,296	654,803
Equity attributable to common share holders	3,067,873	3,041,380
Liabilities		
Non-Current Liabilities		
Deferred tax liability	490,058	486,083
Current Liabilities		
Revolving bank loans	347,000	377,000
Term bank loans	166,664	177,776
Trade and other payables	629,611	673,948
	1,143,275	1,228,724
Total Liabilities	1,633,333	1,714,807
Total Equity and Liabilities	4,701,206	4,756,187

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

WestBond Enterprises Corporation
Consolidated Statements of Comprehensive Income
Canadian Dollars
(Unaudited)

		Three months ended June 30	
		2012	**2011**
	Notes	**$**	**$**
Sales		1,566,296	1,517,097
Cost of sales	4	1,255,567	1,167,493
Gross Profit		310,729	349,604
Selling and distribution expenses	5	136,403	132,406
General and administrative expenses	6	137,610	132,063
Operating Profit		36,716	85,135
Foreign exchange (gains) losses		(5,349)	1,413
Interest expense		5,840	3,683
Profit Before Tax		36,225	80,039
Income tax expense		9,732	20,597
Profit and Comprehensive Income for the Period		26,493	59,442
Weighted average shares outstanding		11,063,800	11,063,800
Earnings per share, basic and fully diluted		0.002	0.005

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

WestBond Enterprises Corporation
Consolidated Statements of Changes in Equity
Canadian Dollars
(Unaudited)

	Common Shares	Warrants	Stock Options	Retained Earnings	Total
	$	$	$	$	$
As at March 31, 2011	2,099,703	32,364	254,510	530,668	2,917,245
Profit for the period	-	-	-	59,442	59,442
As at June 30, 2011	2,099,703	32,364	254,510	590,110	2,976,687
As at March 31, 2012	2,099,703	32,364	254,510	654,803	3,041,380
Profit for the period	-	-	-	26,493	26,493
As at June 30, 2012	2,099,703	32,364	254,510	681,296	3,067,873

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

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows
Canadian Dollars
(Unaudited)

	Notes	Three months ended June 30 2012 $	Three months ended June 30 2011 $
Operating Activities			
Profit (loss) for the period		26,493	59,442
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		72,678	58,637
- deferred income tax		3,975	20,597
Cash flows from operating activities before changes in non-cash working capital		103,146	138,676
(Increase) decrease in			
- inventory		202,712	(39,788)
- trade and other receivables		(50,579)	(469,838)
- prepaid expenses		11,509	(383)
(Decrease) increase in			
- trade and other payables		(45,193)	5,453
Net Cash Flow from Operating Activities		221,595	(365,880)
Investing Activities			
Purchase of plant and equipment	7	(15,399)	(17,677)
Financing Activities			
Repayment of term loans		(11,112)	-
(Decrease) increase in revolving bank loans		(30,000)	258,288
Net Cash Flow from Financing Activities		(41,112)	258,288
Net Increase (Decrease) in Cash and Cash Equivalents		165,084	(125,269)
Cash and Cash Equivalents at the Beginning of the Period		98,183	159,186
Cash and Cash Equivalents at the End of the Period		263,267	33,917
Interest Paid		5,715	3,818

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

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its subsidiary (together, the company) are a paper converter that manufactures disposable products for medical, hygienic and industrial uses. The company's manufacturing facilities are in Canada and its sales are primarily to Canada and the United States of America. The company is incorporated in British Columbia, Canada, and has its principal place of business at 7871 – 82nd Street, Delta, British Columbia.

The interim consolidated financial statements of the company for the three months ended June 30, 2012 were approved and authorized for issue by resolution of the directors on August 27, 2012.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending March 31, 2013 could result in restatement of these interim consolidated financial statements.

The same accounting policies and methods of computation have been followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2012.

The disclosure contained in these interim consolidated financial statements has been condensed and includes only selected explanatory notes and does not duplicate or repeat disclosure reported in the consolidated financial statements for the year ended March 31, 2012 that has not changed materially since their date of issue. Accordingly, these interim consolidated financial statements should only be read in conjunction with the consolidated financial statements of the company for the year ended March 31, 2012.

3. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2012, the company incurred total compensation comprising short-term employee benefits of $80,348 (2011 – $78,670) to its directors and officers of the company and incurred $2,532 (2011 – $650) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements
June 30, 2012 and 2011
Canadian Dollars
(unaudited)

	Three months ended June 30	
	2012	**2011**
	$	**$**
4. COST OF SALES		
Materials	851,739	784,698
Production labour	110,465	118,493
Factory overhead labour	68,692	64,163
Variable overhead	40,142	32,864
Fixed overhead	113,294	110,247
Depreciation	71,235	57,028
	1,255,567	1,167,493
5. SELLING AND DISTRIBUTION EXPENSES		
Shipping	100,000	102,600
Wages, commissions and other employee benefits	29,827	23,278
Other	6,576	6,528
	136,403	132,406
6. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	27,885	28,810
Corporate promotion	1,029	272
Professional fees	17,029	10,245
Salaries and other employee benefits	91,667	92,736
	137,610	132,063
7. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related related to purchase of plant and equipment	856	(13,268)