WestBond Enterprises Corporation

Quarterly Report
June 30, 2013

Management Discussion and Analysis

Dated August 26, 2013 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2013

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 2013 Annual Report. A pdf version of the 2013 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, 2013 and our consolidated financial statements for the year ended March 31, 2013 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 2013 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2013, the date of the Management Discussion and Analysis in the 2013 Annual Report, is not repeated here.

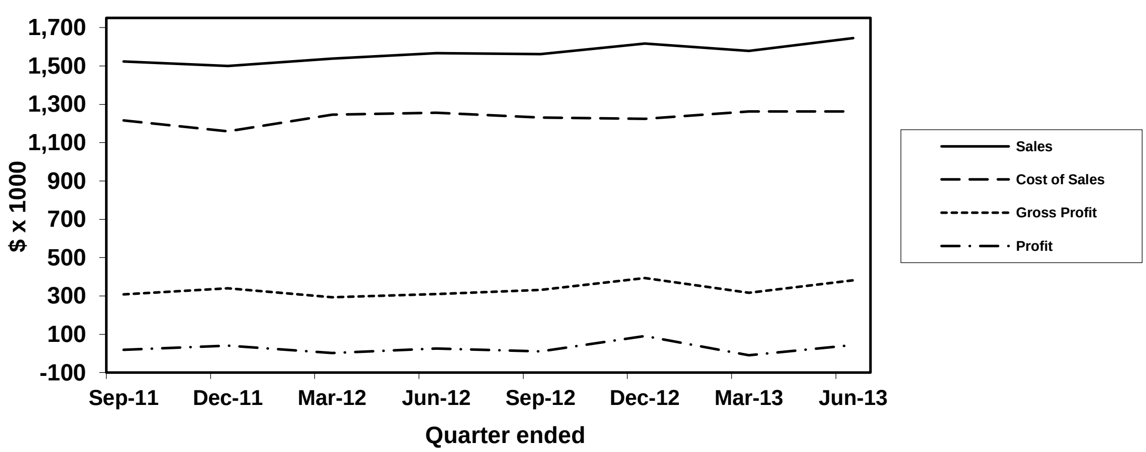
Sales were $1,644,540 for the three months ended June 30, 2013, which is 5.0% higher than for the three months ended June 30, 2012 and 4.1% higher than for the three months ended March 31, 2013. We realized a profit of $42,940 ($0.004 per share) for the three months ended June 30 2013, compared to $26,493 ($0.002 per share) for the three months ended June 30, 2012. The profit for the quarter ended June 30, 2013 is higher than the same period last year because of increased sales and improved materials costs. Higher depreciation, from new equipment brought into operation, and higher selling and distribution expenses, offset the improvements. Income tax expense includes an adjustment of deferred taxes by $20,537 to reflect the increase in the British Columbia income tax rate enacted in June 2013.

The table and graph on the next page show 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 International Financial Reporting Standards.

	Quarters ended							
Cdn$ x 1,000	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**	**Mar 31 2012**	**Dec 31 2011**	**Sep 30 2011**
Sales	1,644	1,579	1,617	1,562	1,566	1,539	1,499	1,523
Cost of sales	1,263	1,263	1,224	1,231	1,256	1,245	1,159	1,215
Gross profit	381	316	393	331	310	294	340	308
Selling and distribution expenses	161	148	150	160	136	137	137	139
General and administrative expenses	129	170	150	137	138	146	139	146
Other (income) expenses	5	10	(28)	17	-	7	7	(5)
Profit (loss) before tax	86	(12)	121	17	36	4	57	28
Income tax expense (recovery)	43	(2)	30	6	10	1	15	8
Profit (loss)	43	(10)	91	11	26	3	42	20
Earnings (loss) per share, basic and diluted - Cdn$	0.004	(0.001)	0.008	0.001	0.002	0.000	0.004	0.002
Sales - % change over previous quarter	4.1	-2.3	3.5	-0.3	1.8	2.7	-1.6	0.4
Costs, expenses and profit - % of Sales								
Cost of sales	76.8	80.0	75.7	78.8	80.2	80.9	77.3	79.8
Selling and distribution expenses	9.8	9.3	9.3	10.2	8.7	8.9	9.2	9.1
General and administrative expenses	7.9	10.7	9.3	8.8	8.8	9.5	9.3	9.6
Other expenses (income)	0.3	0.6	-1.8	1.1	0.0	0.4	0.4	-0.3
Income tax expense	2.6	-0.1	1.9	0.4	0.6	0.1	1.0	0.5
Profit	2.6	-0.5	5.6	0.7	1.7	0.2	2.8	1.3



Sales

Sales for the three months ended June 30, 2013 are 5.0% higher than for the same period last year and 4.1% higher than the previous quarter, ended March 31, 2013. The increase is due to higher sales volumes in all of our product lines.

Sales	Three months ended June 30		Change over last year
Product Line	2013 $	2012 $	
Personal hygiene	652,373	629,999	3.6%
Clinical and long-term care	890,719	864,371	3.0%
Other	101,448	71,926	41.0%
	1,644,540	1,566,296	5.0%

Cost of Sales

Materials costs, as a percentage of sales, were lower in the three months ended June 30, 2013 than in 2012 due to more favourable prices for raw materials. Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2013 was 52.6%.

The increase in direct production labour in 2013 over 2012 is within our normal operating range of 7.0% to 8.0%. Factory overhead labour and variable overhead fluctuations are caused mainly by the timing of equipment maintenance activity. Depreciation was higher in 2013 than in 2012 because of new equipment brought into production during the latter part of the year ended March 31, 2013.

Cost of Sales	Three months ended June 30	
	2013 % of sales	2012 % of sales
Materials	51.4%	54.4%
Production labour	7.4%	7.1%
Factory overhead labour	3.9%	4.4%
Variable overhead	2.2%	2.6%
Fixed overhead	7.1%	7.2%
Depreciation	4.8%	4.6%
Gross Margin	23.2%	19.8%

Selling Expenses

Selling expenses were higher during 2013 than 2012, at 9.8% of sales this year, compared to 8.7% last year. This was primarily caused by increased shipping rates and “fuel surcharges” and because sales to Central and Eastern Canada have increased while local sales have decreased. Sales commissions were higher in 2013, primarily to agents for customers in Central and Eastern Canada..

General and Administrative Expenses

General and administrative expenses were similar in 2013 and 2012, with the exception of higher professional fees in 2012 for the audit of our transition to International Financial Reporting Standards, and lower administrative staff costs in 2013 caused by decreased staffing levels.

During the three months ended June 30, 2013, the company incurred total short-term employee benefits of $81,607 (2012 – $80,348) to its key management personnel, comprising the directors and officers of the company, and incurred $1,907 (2012 – $2,532) 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.

Other Income and Expenses

The exchange rate between the US and Canadian dollars continues to fluctuate, causing gains in some periods that are offset with losses in other periods. Interest expense is lower due to decreased debt levels.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the three months ended June 30, 2013. We had working capital of $1,158,894 at June 30, 2013, compared to $1,086,618 at March 31, 2013. Our operating cash flows were $153,329 during the three months ended June 30, 2013, an average of $51,100 per month, compared to an average of $37,328 per month during the year ended March 31, 2013, 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 $207,016 was used at June 30, 2013. 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. Loans outstanding under the facility bear interest at bank prime plus 0.75%. 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 $99,992 non-revolving bank loan that is repayable in monthly instalments of principal of $5,556 until August 30, 2013 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 regular equipment expansions and improvements during the year ending March 31, 2014. We will finance these additions from operating cash flows. We are investigating the purchase of additional equipment to vertically integrate and expand our manufacturing capacity. Financing for this equipment would be through a private placement of our common shares up to $1,500,000, 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 26, 2013
Authorized common shares without par value	Unlimited
Issued common shares	11,063,800
Shares issuable on exercise of outstanding stock options	Nil
Shares available for future stock option grants	2,000,000

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 was extended at the Company’s annual general meeting on September 4, 2012 and will remain in effect until the Company’s annual general meeting in 2015, subject to further renewal or amendment. 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. Amendments to the Plan have been approved by the directors, subject to ratification at the Company’s Annual and Special General Meeting to be held on September 4, 2013. The amendments are described in the Information Circular dated July 31, 2013 prepared for that meeting, which is available on SEDAR at www.sedar.com.

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 periods ended June 30, 2013 and 2012 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 2013	March 31 2013
	$	$
ASSETS		
Non-Current Assets		
Plant and equipment	2,556,522	2,566,419
Lease deposits	22,433	22,433
	2,578,955	2,588,852
Current Assets		
Inventory	949,536	1,197,797
Trade and other receivables	941,829	818,181
Prepaid expenses	13,813	26,354
Cash and cash equivalents	33,462	76,157
	1,938,640	2,118,489
Total Assets	4,517,595	4,707,341
EQUITY AND LIABILITIES		
Equity		
Common shares issued and outstanding	2,099,703	2,099,703
Contributed surplus	286,874	286,874
Retained earnings	818,405	775,465
Equity attributable to common share holders	3,204,982	3,162,042
Liabilities		
Non-Current Liabilities		
Deferred tax liability	532,867	513,428
Current Liabilities		
Revolving bank loans	207,016	237,000
Term bank loans	99,992	116,660
Trade and other payables	472,738	678,211
	779,746	1,031,871
Total Liabilities	1,312,613	1,545,299
Total Equity and Liabilities	4,517,595	4,707,341

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

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

	Notes	Three months ended June 30 2013	Three months ended June 30 2012
		$	$
Sales		1,644,540	1,566,296
Cost of sales	4	1,263,307	1,255,567
Gross Profit		381,233	310,729
Selling and distribution expenses	5	161,112	136,403
General and administrative expenses	6	129,219	137,610
Operating Profit		90,902	36,716
Foreign exchange losses (gains)		1,775	(5,349)
Interest expense		2,730	5,840
Profit Before Tax		86,397	36,225
Income tax expense		43,457	9,732
Profit and Comprehensive Income		42,940	26,493
Weighted average shares outstanding		11,063,800	11,063,800
Earnings per share, basic and fully diluted		0.004	0.002

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

	Common Shares	Warrants	Stock Options	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$	$
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
As at March 31, 2013	2,099,703	-	-	286,874	775,465	3,162,042
Profit for the period	-	-	-	-	42,940	42,940
As at June 30, 2013	2,099,703	-	-	286,874	818,405	3,204,982

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 2013 $	Three months ended June 30 2012 $
Operating Activities			
Profit		42,940	26,493
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		80,557	72,678
- interest expense		2,730	5,840
- interest paid		(2,901)	(5,715)
- income tax expense		43,457	9,732
- income tax paid		(13,454)	(2,998)
Cash flows from operating activities before changes in non-cash working capital		153,329	106,030
(Increase) decrease in			
- inventory		248,261	202,712
- trade and other receivables		(123,648)	(50,579)
- prepaid expenses		12,541	11,509
(Decrease) increase in			
- trade and other payables		(160,068)	(48,077)
Net Cash Flow from Operating Activities		130,415	221,595
Investing Activities			
Purchase of plant and equipment	7	(126,458)	(15,399)
Financing Activities			
Repayment of term loans		(16,668)	(11,112)
Decrease in revolving bank loans		(29,984)	(30,000)
Net Cash Flow from Financing Activities		(46,652)	(41,112)
Net (Decrease) Increase in Cash and Cash Equivalents		(42,695)	165,084
Cash and Cash Equivalents at the Beginning of the Period		76,157	98,183
Cash and Cash Equivalents at the End of the Period		33,462	263,267

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 period ended June 30, 2013 were approved and authorized for issue by resolution of the directors on August 26, 2013.

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, 2014 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, 2013.

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, 2013 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, 2013.

3. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2013, the company incurred total compensation comprising short-term employee benefits of $81,607 (2012 – $80,348) to the directors and officers of the company and incurred $1,907 (2012 – $2,532) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

	Three months ended June 30	
	2013	**2012**
	$	**$**
4. COST OF SALES		
Materials	844,999	851,739
Production labour	121,320	110,465
Factory overhead labour	64,609	68,692
Variable overhead	35,644	40,142
Fixed overhead	117,345	113,294
Depreciation	79,390	71,235
	1,263,307	1,255,567
5. SELLING AND DISTRIBUTION EXPENSES		
Shipping	120,863	100,000
Wages, commissions and other employee benefits	36,970	29,827
Other	3,279	6,576
	161,112	136,403
6. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	30,603	27,885
Corporate promotion	461	1,029
Professional fees	12,670	17,029
Salaries and other employee benefits	85,485	91,667
	129,219	137,610
7. NON-CASH INVESTING ACTIVITIES		
(Decrease) increase in accounts payable related related to purchase of plant and equipment	(55,798)	856