WestBond Enterprises Corporation

Quarterly Report
June 30, 2014

Management Discussion and Analysis

Dated August 19, 2014 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2014

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 2014 Annual Report. A pdf version of the 2014 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, 2014 and our consolidated financial statements for the year ended March 31, 2014 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 2014 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 21, 2014, the date of the Management Discussion and Analysis in the 2014 Annual Report, is not repeated here.

Sales were $1,830,452 for the three months ended June 30, 2014, which is 11.3% higher than for the three months ended June 30, 2013 and 12.3% higher than for the three months ended March 31, 2014. We incurred a net loss of $7,968 ($0.000 per share) for the three months ended June 30 2014, compared to a profit of $42,940 ($0.004 per share) for the three months ended June 30, 2013. The loss was caused mainly by higher materials costs.

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

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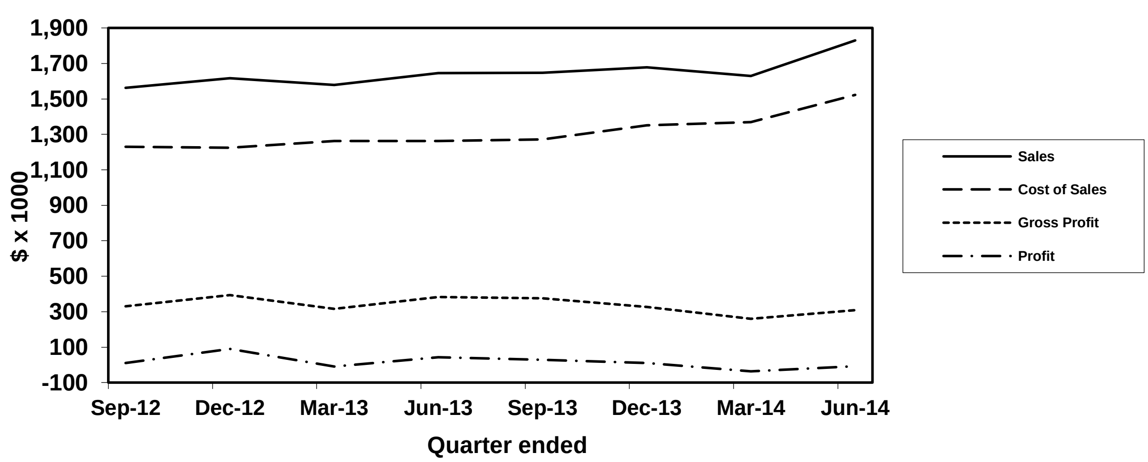
Summary of Quarterly Results

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 2014**	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**
Sales	1,830	1,629	1,678	1,647	1,644	1,579	1,617	1,562
Cost of sales	1,522	1,369	1,352	1,272	1,263	1,263	1,224	1,231
Gross profit	308	260	326	375	381	316	393	331
Selling and distribution expenses	179	146	157	168	161	148	150	160
General and administrative expenses	138	154	149	157	129	170	150	137
Other expenses (income)	1	7	7	9	5	10	(28)	17
(Loss) profit before tax	(10)	(47)	13	41	86	(12)	121	17
Income tax (recovery) expense	(2)	(11)	4	12	43	(2)	30	6
(Loss) profit	(8)	(36)	9	29	43	(10)	91	11
(Loss) earnings per share, basic and diluted - Cdn$	(0.000)	(0.001)	0.000	0.002	0.004	(0.001)	0.008	0.001
Sales - % change over previous quarter	12.3	-2.8	1.9	0.1	4.1	-2.3	3.5	-0.3
Costs, expenses and profit - % of Sales								
Cost of sales	83.2	84.0	80.6	77.2	76.8	80.0	75.7	78.8
Selling and distribution expenses	9.8	8.9	9.4	10.2	9.8	9.3	9.3	10.2
General and administrative expenses	7.5	9.4	8.9	9.5	7.9	10.7	9.3	8.8
Other expenses (income)	0.0	0.5	0.4	0.6	0.3	0.6	-1.8	1.1
Income tax expense	-0.1	-0.7	0.2	0.7	2.6	-0.1	1.9	0.4
Profit	-0.4	-2.1	0.5	1.8	2.6	-0.5	5.6	0.7



Sales

Sales for the three months ended June 30, 2014 were 11.3% higher than for the same period last year and 12.3% higher than the previous quarter, ended March 31, 2014. The increase is due to higher sales volumes in the personal hygiene product lines. We plan to implement a price increase this summer in an effort to recover some of our margin.

Sales	Three months ended June 30		Change over last year
Product Line	2014 $	2013 $	
Personal hygiene	892,377	652,373	36.8%
Clinical and long-term care	892,717	890,719	0.2%
Other	45,358	101,448	-55.3%
	1,830,452	1,644,540	11.3%

Cost of Sales

Materials costs, at 59.0% of sales, were higher in the three months ended June 30, 2014 than in 2013 due to increased prices for raw materials and lower paper yields (the amount of product a certain weight of paper will produce). Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2014 was 54.4%. This raw materials cost increase reduced our profit margin. We have taken steps to source less expensive materials and materials that are less affected by US dollar exchange rates. Also, we will be able to buy paper sizes that are more suited to our equipment which will reduce future waste factors.

Fluctuations in labour, variable and fixed overhead and depreciation are within our normal operating range.

Cost of Sales	Three months ended June 30 2014 % of sales	2013 % of sales
Materials	59.0%	51.4%
Production labour	7.4%	7.4%
Factory overhead labour	3.3%	3.9%
Variable overhead	2.6%	2.2%
Fixed overhead	6.1%	7.1%
Depreciation	4.8%	4.8%
Gross Margin	16.8%	23.2%

Selling Expenses

Selling expenses during the three months ended June 30, 2014 and 2013 were at 9.8% of sales, compared to an average of 8.9% for the year ended March 31, 2014. The shipping costs were higher because the majority of sales increases occurred with out-of-town distributors.

General and Administrative Expenses

General and administrative expenses were similar in 2014 and 2013.

During the three months ended June 30, 2014, the company incurred total short-term employee benefits of $83,036 (2013 – $81,607) to its key management personnel, comprising the directors and officers of the company, and incurred $1,203 (2013 – $1,907) 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 operating cash flows were $59,409 during the three months ended June 30, 2014, an average of $19,803 per month, compared to an average of $33,833 per month during the year ended March 31, 2014, before accounting for fluctuations in non-cash working capital. We had working capital of $1,280,260 at June 30, 2014, compared to $2,923,082 at March 31, 2014. The reduction is due to the investment in new machinery, which we plan to put into operation during the next year.

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, none of which was used at June 30, 2014. 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 $27,764 non-revolving bank loan that is repayable in monthly instalments of principal of $5,556 until November 30, 2014 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 also have a $5,000,000 term loan credit facility for the purchase of certain production equipment. Loans under the facility are to be fully drawn down by September 30, 2015. Repayment of the loans is in 11 monthly instalments of $59,524 commencing 12 months after final draw with a final payment of the balance of principal 24 months after final draw. Interest is payable monthly at bank prime plus 1.5% per annum. A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of the company’s assets will be pledged as collateral.

We have committed to the purchase of equipment in the amount of €3,895,379 (European euros), equivalent to Cdn$5,693,096 at the June 30, 2014 exchange rate of €1.00=Cdn$1.4615. During the three months ended June 30, 2014 we made payments of €1,039,219 against these commitments and issued irrevocable bank letters of credit for €2,538,314 of the balance. Subsequent to June 30, 2014 we made an additional payment of €90,665 against the commitments, issued an additional irrevocable bank letter of credit for €211,551 of the balance and entered into forward exchange contracts to purchase €2,317,431 at a weighted average exchange rate of €1.00=Cdn$1.4804. The bank letters of credit and forward exchange contracts are supported by a $5,000,000 term bank loan facility.

We intend to spend around $1,300,000 in addition to the commitments we have already made for production equipment and leasehold improvements during the next year.

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 19, 2014
Authorized common shares without par value	Unlimited
Issued common shares	33,260,800
Shares issuable on exercise of outstanding warrants	405,000
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 will remain in effect until the Company's annual general meeting in 2016, 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.

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 months ended June 30, 2014 and 2013 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)

	Notes	June 30 2014 $	March 31 2014 $
ASSETS			
Non-Current Assets			
Plant and equipment		4,131,078	2,495,144
Lease deposits		48,943	58,456
Deferred tax assets		15,651	16,859
		4,195,672	2,570,459
Current Assets			
Inventory		1,011,317	1,189,989
Trade and other receivables		784,180	740,645
Prepaid expenses		34,637	27,233
Cash and cash equivalents		215,263	1,638,407
		2,045,397	3,596,274
Total Assets		6,241,069	6,166,733
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,839,080	3,839,080
Warrants		11,745	11,745
Contributed surplus		286,874	286,874
Retained earnings		814,152	822,120
Equity attributable to common shareholders		4,951,851	4,959,819
Liabilities			
Non-Current Liabilities			
Deferred tax liability		524,081	533,722
Current Liabilities			
Term bank loans		27,764	44,432
Trade and other payables		737,373	628,760
		765,137	673,192
Total Liabilities		1,289,218	1,206,914
Total Equity and Liabilities		6,241,069	6,166,733
Commitments	4		

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 2014 $	Three months ended June 30 2013 $
Sales		1,830,452	1,644,540
Cost of sales	5	1,522,322	1,263,307
Gross Profit		308,130	381,233
Selling and distribution expenses	6	179,201	161,112
General and administrative expenses	7	138,163	129,219
Operating Profit		(9,234)	90,902
Foreign exchange losses		329	1,775
Gain on disposal of equipment		-	-
Interest expense		385	2,730
(Loss) Profit Before Tax		(9,948)	86,397
Income tax (recovery) expense		(1,980)	43,457
(Net Loss) Profit and Comprehensive (Loss) Income		(7,968)	42,940
Weighted average shares outstanding		33,260,800	11,063,800
Earnings per share, basic and fully diluted		(0.000)	0.004

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	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$
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
As at March 31, 2014	3,839,080	11,745	286,874	822,120	4,959,819
Profit for the period	-	-	-	(7,968)	(7,968)
As at June 30, 2014	3,839,080	11,745	286,874	814,152	4,951,851

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 2014 $	Three months ended June 30 2013 $
Operating Activities			
(Net loss) Profit		(7,968)	42,940
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		90,458	80,557
- interest expense		385	2,730
- interest paid		(407)	(2,901)
- income tax (recovery) expense		(1,980)	43,457
- income tax paid		(21,079)	(13,454)
Cash flows from operating activities before changes in non-cash working capital		59,409	153,329
(Increase) decrease in			
- inventory		178,672	248,261
- trade and other receivables		(43,535)	(123,648)
- prepaid expenses		(7,404)	12,541
- deferred tax assets		1,208	-
(Decrease) increase in			
- deferred tax liability		(9,641)	19,439
- trade and other payables		110,257	(179,507)
Net Cash Flow from Operating Activities		288,966	130,415
Investing Activities			
Purchase of plant and equipment	8	(1,704,955)	(126,458)
Lease deposits refunded		9,513	-
Net Cash Flow from Investing Activities		(1,695,442)	(126,458)
Financing Activities			
Repayment of term loans		(16,668)	(16,668)
Decrease in revolving bank loans		-	(29,984)
Net Cash Flow from Financing Activities		(16,668)	(46,652)
Net Decrease in Cash and Cash Equivalents		(1,423,144)	(42,695)
Cash and Cash Equivalents at the Beginning of the Period		1,638,407	76,157
Cash and Cash Equivalents at the End of the Period		215,263	33,462

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 101 – 7403 Progress Way, Delta, British Columbia.

The interim consolidated financial statements of the company for the three period ended June 30, 2014 were approved and authorized for issue by resolution of the directors on August •, 2014.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting,*("IAS 34"). The policies applied in these interim consolidated financial statements are based on International Financial Reporting Standards ("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, 2015 could result in restatement of these interim consolidated financial statements.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2014.

The disclosure contained in these interim consolidated financial statements is 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, 2014 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, 2014.

3. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2014, the company incurred total compensation comprising short-term employee benefits of $83,036 (2013 – $81,607) to the directors and officers of the company and incurred $1,203 (2013 – $1,907) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

4. COMMITMENTS

We have committed to the purchase of equipment in the amount of €3,895,379 (European euros), equivalent to Cdn$5,693,096 at the June 30, 2014 exchange rate of €1.00=Cdn$1.4615. During the three months ended June 30, 2014 we made payments of €1,039,219 against these commitments and issued irrevocable bank letters of credit for €2,538,314 of the balance. Subsequent to June 30, 2014 we made an additional payment of €90,665 against the commitments, issued an additional irrevocable bank letter of credit for €211,551 of the balance and entered into forward exchange contracts to purchase €2,317,431 at a weighted average exchange rate of €1.00=Cdn$1.4804. The bank letters of credit and forward exchange contracts are supported by a $5,000,000 term bank loan facility.

	Three months ended June 30	
	2014	**2013**
	$	**$**
5. COST OF SALES		
Materials	1,080,172	844,999
Production labour	134,003	121,320
Factory overhead labour	60,563	64,609
Variable overhead	47,280	35,644
Fixed overhead	112,091	117,345
Depreciation	88,213	79,390
	1,522,322	1,263,307
6. SELLING AND DISTRIBUTION EXPENSES		
Shipping	146,439	120,863
Wages, commissions and other employee benefits	29,914	36,970
Other	2,848	3,279
	179,201	161,112
7. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	34,564	30,603
Corporate promotion	1,787	461
Professional fees	9,003	12,670
Salaries and other employee benefits	92,809	85,485
	138,163	129,219
8. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related related to purchase of plant and equipment	21,437	(55,798)