WestBond Enterprises Corporation

Quarterly Report
June 30, 2015

Management Discussion and Analysis

Dated August 26, 2015 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2015

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 2015 Annual Report. A pdf version of the 2015 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, 2015 and our consolidated financial statements for the year ended March 31, 2015 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 2015 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 28, 2015, the date of the Management Discussion and Analysis in the 2015 Annual Report, is not repeated here.

Sales were $1,865,076 for the three months ended June 30, 2015, which is 1.9% higher than for the three months ended June 30, 2014 and 3.6% lower than for the three months ended March 31, 2015. We realized a profit of $7,738 ($0.000 per share) for the three months ended June 30, 2015, compared to a net loss of $7,968 ($0.000 per share) for the three months ended June 30, 2014.

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

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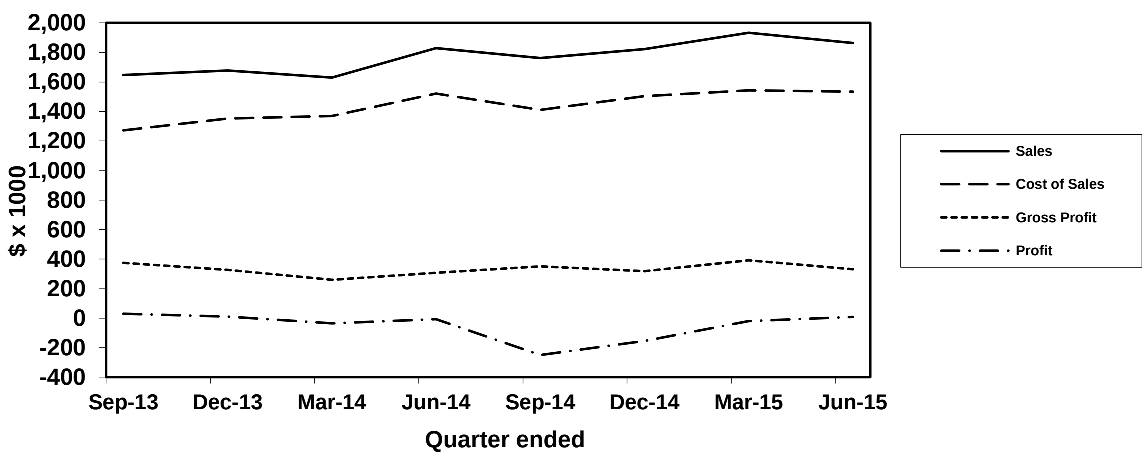
Summary of Quarterly Results

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	**Mar 31 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**
Sales	1,865	1,934	1,823	1,762	1,830	1,629	1,678	1,647
Cost of sales	1,534	1,543	1,505	1,411	1,522	1,369	1,352	1,272
Gross profit	331	391	318	351	308	260	326	375
Selling and distribution expenses	147	153	169	163	179	146	157	168
General and administrative expenses	153	156	245	160	138	154	149	157
Operating profit (loss)	31	82	(96)	(28)	(9)	(40)	20	50
Other expenses (income)	16	89	56	311	1	7	7	9
Profit (loss) before tax	15	(7)	(152)	(283)	(10)	(47)	13	41
Income tax expense (recovery)	7	12	3	(34)	(2)	(11)	4	12
(Loss) profit	8	(19)	(155)	(249)	(8)	(36)	9	29
(Loss) earnings per share, basic and diluted - Cdn$	(0.000)	(0.001)	(0.005)	(0.007)	(0.000)	(0.001)	0.000	0.002
Sales - % change over previous quarter	-3.6	6.1	3.5	-3.7	12.3	-2.8	1.9	0.1
Costs, expenses and net income - % of Sales								
Cost of sales	82.2	79.8	82.6	80.1	83.2	84.0	80.6	77.2
Selling and distribution expenses	7.9	7.9	9.3	9.3	9.8	8.9	9.4	10.2
General and administrative expenses	8.2	8.1	13.4	9.1	7.5	9.4	8.9	9.5
Other expenses (income)	0.9	4.6	3.0	17.6	0.0	0.5	0.4	0.6
Income tax expense	0.4	0.6	0.2	-1.9	-0.1	-0.7	0.2	0.7
Profit (loss)	0.4	-1.0	-8.5	-14.2	-0.4	-2.1	0.5	1.8



Sales

Sales for the three months ended June 30, 2015 were 1.9% higher than for the same period last year and 3.6% lower than the previous quarter, ended March 31, 2015. The increase is due to higher sales volumes, higher prices and the higher Canadian dollar value of sales denominated in US dollar prices.

Sales	Three months ended June 30		Change over last year
Product Line	2015 $	2014 $	
Personal hygiene	895,899	892,377	0.4%
Clinical	371,622	368,172	0.9%
Long-term care	576,668	524,545	9.9%
Other	20,887	45,358	-54.0%
	1,865,076	1,830,452	1.9%

Cost of Sales

Materials costs, at 56.2% of sales, were lower in 2015 than in 2014 due to favourable prices for some of our paper grades. Our recent operating range for materials has been 52% to 59% and the average for the year ended March 31, 2015 was 57.0%.

The increase in labour in 2015 over 2014 is due to higher rates of pay and lower production efficiency from recently hired employees who were in training. Variable overhead and depreciation are within our normal operating range. Fixed overhead is higher because of higher rent at our new factory.

Cost of Sales	Three months ended June 30 2015 % of sales	 2014 % of sales
Materials	56.2%	59.0%
Production labour	8.8%	7.3%
Factory overhead labour	3.8%	3.4%
Variable overhead	2.4%	2.6%
Fixed overhead	6.5%	6.1%
Depreciation	4.5%	4.8%
Gross Margin	17.8%	16.8%

Selling Expenses

Selling expenses during the three months ended June 30, 2015 were 7.9% of sales, compared to 9.8% for the three months ended June 30, 2014 due to lower shipping rates and commissions.

General and Administrative Expenses

General and administrative expenses were higher in 2015 than in 2014. Rent and depreciation on new office furnishings caused the increase in administration and office expense. Higher rates of pay caused salaries and employee benefits to increase.

During the three months ended June 30, 2015, the company incurred total short-term employee benefits of $90,843 (2014 – $83,036) to its key management personnel, comprising the directors and officers of the company and incurred $nil (2014 – $1,203) 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

We recognized a loss of $10,350 on forward currency exchange contracts during the three months ended June 30, 2015. The forward currency exchange contracts hedged some of our equipment purchase commitments denominated in European euros.

Interest expense is higher due to increased debt levels.

Liquidity, Financial Position and Capital Resources

Our operating cash flows were $129,074 during the three months ended June 30, 2015, an average of $43,025 per month, compared to an average of $26,604 per month during the year ended March 31, 2015, before accounting for fluctuations in non-cash working capital. We had working capital of $553,850 at June 30, 2015, compared to $361,268 at March 31, 2015. The increase is due to improved operating cash flows.

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 $495,029 was used at June 30, 2015. 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 $300,000. 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 $5,000,000 term loan credit facility, of which $4,056,775 was drawn at June 30, 2015, for the purchase of our binder bonded air laid paper making machine. 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 €308,957 (European euros), equivalent to Cdn$429,790 at the June 30, 2015 exchange rate of €1.00=Cdn$1.3911. €293,327 of the commitments are supported by bank letter of credit. We entered into a forward exchange contract to hedge €278,216 of the commitments at a rate of €1.00=Cdn$1.4130. The bank letter of credit and forward exchange contract are supported by the term bank loan facility.

The binder bonded air laid paper making machine went into production during the last week of August 2015. We are excited to be making our own air laid paper and expect to realize significant improvements in our operating performance.

We intend to spend around $500,000 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 26, 2015
Authorized common shares without par value	Unlimited
Issued common shares	33,665,800
Shares issuable on exercise of outstanding stock options	2,000,000
Shares available for future stock option grants	1,366,580

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 number of shares available for future stock option grants is subject to the approval of the shareholders and the TSX Venture Exchange of a stock option plan adopted by the directors on July 30, 2015 which would permit the company to grant stock options on up to 10% of the number of shares outstanding at the time of the grant. If the new stock option plan is not approved there will be no shares available for future stock option grants. The maximum number of shares issuable under the old 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 month periods ended June 30, 2015 and 2014 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 2015 $	March 31 2015 $
ASSETS			
Non-Current Assets			
Plant and equipment		8,736,119	8,022,167
Lease deposits		18,012	18,012
Deferred tax assets		7,146	12,688
		8,761,277	8,052,867
Current Assets			
Inventory		1,075,433	886,275
Trade and other receivables		996,529	982,370
Income tax recoverable		37,812	37,812
Prepaid expenses		16,237	28,163
Cash and cash equivalents		18,203	96,410
		2,144,214	2,031,030
Total Assets		10,905,491	10,083,897
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,883,225	3,883,225
Stock options	3	96,200	96,200
Contributed surplus		286,874	286,874
Retained earnings		398,635	390,897
Equity attributable to common shareholders		4,664,934	4,657,196
Liabilities			
Non-Current Liabilities			
Term bank loans		4,056,775	290,653
Liabilities supported by term loan commitments		-	2,889,425
Deferred operating lease liability		67,488	52,505
Deferred tax liability		525,930	524,356
		4,650,193	3,756,939
Current Liabilities			
Revolving bank loans		495,029	358,118
Unrealized loss on forward currency exchange contracts		6,093	190,256
Trade and other payables		1,089,242	1,121,388
		1,590,364	1,669,762
Total Liabilities		6,240,557	5,426,701
Total Equity and Liabilities		10,905,491	10,083,897
Commitments	5		

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	
		2015	2014
	Notes	$	$
Sales		1,865,076	1,830,452
Cost of sales	6	1,533,805	1,522,322
Gross Profit		331,271	308,130
Selling and distribution expenses	7	147,652	179,201
General and administrative expenses	8	152,752	138,163
Operating Profit		30,867	(9,234)
Foreign exchange losses		468	329
Loss on forward currency exchange contracts		10,350	-
Interest expense		5,195	385
Profit (Loss) Before Tax		14,854	(9,948)
Income tax expense (recovery)		7,116	(1,980)
Profit (Net Loss) and Comprehensive Income (Loss)		7,738	(7,968)
Weighted average shares outstanding		33,665,800	33,260,800
Earnings (loss) per share, basic and fully diluted		0.000	(0.000)

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	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$	$
As at March 31, 2014	3,839,080	11,745	-	286,874	822,120	4,959,819
Loss for the period	-	-	-	-	(7,968)	(7,968)
As at June 30, 2014	3,839,080	11,745	-	286,874	814,152	4,951,851
As at March 31, 2015	3,883,225	-	96,200	286,874	390,897	4,657,196
Profit for the period	-	-	-	-	7,738	7,738
As at June 30, 2015	3,883,225	-	96,200	286,874	398,635	4,664,934

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 2015 $	Three months ended June 30 2014 $
Operating Activities			
Profit (Net loss)		7,738	(7,968)
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		88,406	90,458
- deferred operating lease liability		14,983	-
- loss on forward foreign currency exchange contracts		10,350	-
- interest expense		5,195	385
- interest paid		(4,714)	(407)
- income tax expense (recovery)		7,116	(1,980)
- income tax paid		-	(21,079)
Cash flows from operating activities before changes in non-cash working capital		129,074	59,409
(Increase) decrease in			
- inventory		(189,158)	178,672
- trade and other receivables		(14,159)	(43,535)
- prepaid expenses		11,926	(7,404)
- deferred tax assets		-	1,208
(Decrease) increase in			
- deferred tax liability		-	(9,641)
- trade and other payables		(189,638)	110,257
Net Cash Flow from Operating Activities		(251,955)	288,966
Investing Activities			
Purchase of plant and equipment	9	(3,508,674)	(1,704,955)
Interest capitalized		(26,098)	-
Realized loss on forward currency contracts		(194,513)	-
Lease deposits applied		-	9,513
Net Cash Flow from Investing Activities		(3,729,285)	(1,695,442)
Financing Activities			
Term loan proceeds		3,766,122	-
Repayment of term loans		-	(16,668)
Increase in revolving bank loans		136,911	-
Net Cash Flow from Financing Activities		3,903,033	(16,668)
Net Decrease in Cash and Cash Equivalents		(78,207)	(1,423,144)
Cash and Cash Equivalents at the Beginning of the Period		96,410	1,638,407
Cash and Cash Equivalents at the End of the Period		18,203	215,263

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 month period ended June 30, 2015 were approved and authorized for issue by resolution of the directors on August 26, 2015.

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, 2016 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, 2015.

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, 2015 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, 2015.

3. STOCK OPTION PLAN

Subsequent to June 30, 2015, the company adopted, subject to shareholder and regulatory approval, a stock option plan that would permit the company to grant stock options on up to 10% of the number of shares outstanding at the time of the grant, including options outstanding under the company's old stock option plan.

4. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2015, the company incurred total compensation comprising short-term employee benefits of $90,843 (2014 – $83,036), to the directors and officers of the company and incurred $nil (2014 – $1,203) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

5. COMMITMENTS

The company has made and settled equipment purchase commitments denominated in European euros as follows:

	€
Outstanding at March 31, 2015	448,065
Payments made during the period	(139,108)
Outstanding at June 30, 2015	308,957

€293,327 of the commitments outstanding at June 30, 2015 are supported by letters of credit issued under the term loan facility. The company has entered into a forward exchange contract that effectively fixed the exchange rate on €278,216 of the commitments at €1.00 = Cdn$1.4130.

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
June 30, 2015 and 2014
Canadian Dollars
(unaudited)

	Three months ended June 30	
	2015	**2014**
	$	**$**
6. COST OF SALES		
Materials	1,047,735	1,080,172
Production labour	163,370	134,003
Factory overhead labour	70,833	60,563
Variable overhead	44,683	47,280
Fixed overhead	122,488	112,091
Depreciation	84,696	88,213
	1,533,805	1,522,322
7. SELLING AND DISTRIBUTION EXPENSES		
Shipping	120,854	146,439
Wages, commissions and other employee benefits	23,534	29,914
Other	3,264	2,848
	147,652	179,201
8. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	38,747	34,564
Corporate promotion	1,037	1,787
Professional fees	10,335	9,003
Salaries and other employee benefits	102,633	92,809
	152,752	138,163
9. NON-CASH INVESTING ACTIVITIES		
Decrease in plant and equipment purchase liabilities supported by term loan commitments	2,889,425	-
Increase in accounts payable related to purchase of plant and equipment	158,251	21,437