



WestBond Enterprises Corporation

Quarterly Report September 30, 2015

Management Discussion and Analysis

Dated November 18, 2015 to Accompany the Interim Consolidated Financial Statements for the Three and Six Month Periods Ended September 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 and six month periods ended September 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 \$1,995,916 for the three months ended September 30, 2015, which is 13.3% higher than for the three months ended September 30, 2014 and 7.0% higher than for the three months ended June 30, 2015. We realized a profit of \$60,684 (\$0.002 per share) for the three months ended September 30, 2015, compared to a net loss of \$248,917 (\$0.007 per share) for the three months ended September 30, 2014. The profit for the three months ended September 30, 2015 includes a gain on forward currency exchange contracts of \$34,467 and interest expense of \$20,134, while the net loss for the three months ended September 30, 2014 included a loss on forward currency exchange contracts of \$150,855, a loss on disposal of equipment of \$11,253, moving expenses of \$149,125 and interest expense of \$645.

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

WestBond Enterprises Corporation

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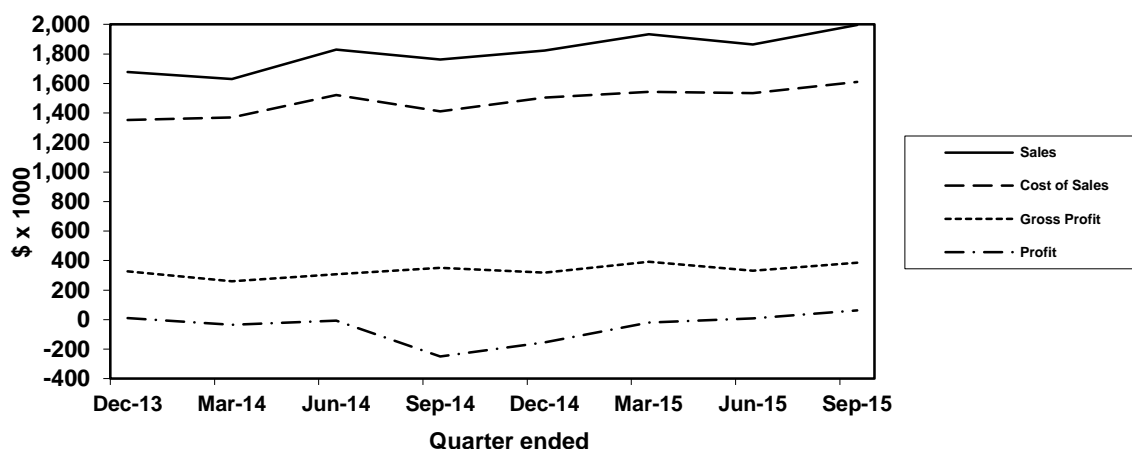
Summary of Quarterly Results

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. The quarters ended September 30 and December 31, 2014 have been restated to reflect the losses on forward exchange contracts as an expense, rather than capitalized under hedge accounting.

| Cdn\$ x 1,000 | Quarters ended | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Sep 30 2015 | Jun 30 2015 | Mar 31 2015 | Dec 31 2014 | Sep 30 2014 | Jun 30 2014 | Mar 31 2014 | Dec 31 2013 |
| Sales | 1,996 | 1,865 | 1,934 | 1,823 | 1,762 | 1,830 | 1,629 | 1,678 |
| Cost of sales | 1,610 | 1,534 | 1,543 | 1,505 | 1,411 | 1,522 | 1,369 | 1,352 |
| Gross profit | 386 | 331 | 391 | 318 | 351 | 308 | 260 | 326 |
| Selling and distribution expenses | 155 | 147 | 153 | 169 | 163 | 179 | 146 | 157 |
| General and administrative expenses | 166 | 153 | 156 | 245 | 160 | 138 | 154 | 149 |
| Operating profit (loss) | 65 | 31 | 82 | (96) | (28) | (9) | (40) | 20 |
| Other expenses (income) | (1) | 16 | 89 | 56 | 311 | 1 | 7 | 7 |
| Profit (loss) before tax | 66 | 15 | (7) | (152) | (283) | (10) | (47) | 13 |
| Income tax expense (recovery) | 5 | 7 | 12 | 3 | (34) | (2) | (11) | 4 |
| (Loss) profit | 61 | 8 | (19) | (155) | (249) | (8) | (36) | 9 |
| (Loss) earnings per share, basic and diluted - Cdn\$ | (0.002) | (0.000) | (0.001) | (0.005) | (0.007) | (0.000) | (0.001) | 0.000 |
| Sales - % change over previous quarter | 7.0 | -3.6 | 6.1 | 3.5 | -3.7 | 12.3 | -2.8 | 1.9 |

Costs, expenses and net income - % of Sales

| | | | | | | | | |
|-------------------------------------|------|------|------|------|-------|------|------|------|
| Cost of sales | 80.7 | 82.2 | 79.8 | 82.6 | 80.1 | 83.2 | 84.0 | 80.6 |
| Selling and distribution expenses | 7.8 | 7.9 | 7.9 | 9.3 | 9.3 | 9.8 | 8.9 | 9.4 |
| General and administrative expenses | 8.3 | 8.2 | 8.1 | 13.4 | 9.1 | 7.5 | 9.4 | 8.9 |
| Other expenses (income) | -0.1 | 0.9 | 4.6 | 3.0 | 17.6 | 0.0 | 0.5 | 0.4 |
| Income tax expense | 0.3 | 0.4 | 0.6 | 0.2 | -1.9 | -0.1 | -0.7 | 0.2 |
| Profit (loss) | 3.0 | 0.4 | -1.0 | -8.5 | -14.2 | -0.4 | -2.1 | 0.5 |



Sales

Sales for the three months ended September 30, 2015 were 13.3% higher than for the same period last year and 7.0% higher than the previous quarter, ended June 30, 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 September 30 | | Change over last year | Six months ended September 30 | | Change over last year |
|------------------|------------------------------------|-----------|-----------------------------|----------------------------------|-----------|-----------------------------|
| | 2015 | 2014 | | 2015 | 2014 | |
| Product Line | \$ | \$ | | \$ | \$ | |
| Personal hygiene | 927,583 | 913,732 | 1.5% | 1,823,482 | 1,806,109 | 1.0% |
| Clinical | 375,816 | 287,663 | 30.6% | 747,438 | 655,835 | 14.0% |
| Long-term care | 593,974 | 527,014 | 12.7% | 1,170,642 | 1,051,559 | 11.3% |
| Other | 98,543 | 33,630 | 193.0% | 119,430 | 78,988 | 51.2% |
| | 1,995,916 | 1,762,039 | 13.3% | 3,860,992 | 3,592,491 | 7.5% |

Cost of Sales

Materials costs, at 55.6% 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 September 30 | | Six months ended September 30 | |
|-------------------------|---------------------------------|------------|-------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | % of sales | % of sales | % of sales | % of sales |
| Materials | 55.6% | 57.6% | 55.9% | 58.3% |
| Production labour | 8.3% | 8.0% | 8.5% | 7.7% |
| Factory overhead labour | 3.8% | 4.0% | 3.8% | 3.6% |
| Variable overhead | 2.5% | 2.7% | 2.4% | 2.7% |
| Fixed overhead | 6.0% | 3.6% | 6.3% | 4.8% |
| Depreciation | 4.5% | 4.2% | 4.5% | 4.5% |
| Gross Margin | 19.3% | 19.9% | 18.6% | 18.4% |

Selling Expenses

Selling expenses during the three months ended September 30, 2015 were 7.8% of sales, compared to 9.3% for the three months ended September 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 six months ended September 30, 2015, the company incurred total short-term employee benefits of \$175,837 (2014 – \$165,352) to its key management personnel, comprising the directors and officers of the company and incurred \$10,434 (2014 – \$5,777) 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 gain of \$34,467 on forward currency exchange contracts during the three months ended September 30, 2015. The forward currency exchange contracts hedged some of our equipment purchase commitments denominated in European euros.

Interest expense is higher because we stopped capitalizing the interest on the term bank loan in September 2015. The term loan partially financed the purchase and installation of the binder bonded air laid paper making machine which started production at the end of August.

Liquidity, Financial Position and Capital Resources

Our operating cash flows were \$310,163 during the six months ended September 30, 2015, an average of \$51,694 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 \$849,531 at September 30, 2015, compared to \$361,268 at March 31, 2015. The increase is due to improved operating cash flows and to term loan proceeds (which paid off accounts payable at March 31, 2015 related to equipment purchases) .

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 \$47,739 was used at September 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 for the purchase of our binder bonded air laid paper making machine, which was fully drawn at September 30, 2015. Repayment of the loans is in 11 monthly instalments of \$59,524 commencing September 22, 2016 with a final payment of the balance of principal on September 22, 2017. 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 are pledged as collateral.

In September 2015 we completed the last of our equipment purchase commitments, which totaled €448,065 (European euros) at March 31, 2015.

The binder bonded air laid paper making machine went into production during the last week of August 2015. We are pleased that the project completed on budget. We are excited to be making our own air laid paper and expect to realize significant improvements in our operating performance. Production during September and October was relatively low during this start-up phase. We expect to be in full production by January 2016.

Our budget for the purchase and installation of the binder bonded air laid paper making machine was \$7,000,000. The project was substantially completed at a cost of \$7,052,042, including the \$240,881 net loss on forward currency exchange contracts.

We intend to spend around \$300,000 for production equipment 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.

| | <u>November 18, 2015</u> |
|--|--------------------------|
| 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 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 and six month periods ended September 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 | September 30 2015 | March 31 2015 |
|--|-------|----------------------|------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Non-Current Assets | | | |
| Plant and equipment | | 9,426,357 | 8,022,167 |
| Lease deposits | | 18,012 | 18,012 |
| Deferred tax assets | | - | 12,688 |
| | | 9,444,369 | 8,052,867 |
| Current Assets | | | |
| Inventory | | 832,852 | 886,275 |
| Trade and other receivables | | 812,483 | 982,370 |
| Income tax recoverable | | 20,443 | 37,812 |
| Prepaid expenses | | 65,256 | 28,163 |
| Cash and cash equivalents | | 4,242 | 96,410 |
| | | 1,735,276 | 2,031,030 |
| Total Assets | | 11,179,645 | 10,083,897 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Common shares issued and outstanding | | 3,883,225 | 3,883,225 |
| Stock options | 4 | 96,200 | 96,200 |
| Contributed surplus | | 286,874 | 286,874 |
| Retained earnings | | 459,319 | 390,897 |
| Equity attributable to common shareholders | | 4,725,618 | 4,657,196 |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Term bank loans | | 4,940,476 | 290,653 |
| Liabilities supported by term loan commitments | | - | 2,889,425 |
| Deferred operating lease liability | | 82,471 | 52,505 |
| Deferred tax liability | | 545,335 | 524,356 |
| | | 5,568,282 | 3,756,939 |
| Current Liabilities | | | |
| Revolving bank loans | | 47,739 | 358,118 |
| Term bank loans | | 59,524 | - |
| Unrealized loss on forward currency exchange contracts | | - | 190,256 |
| Trade and other payables | | 778,482 | 1,121,388 |
| | | 885,745 | 1,669,762 |
| Total Liabilities | | 6,454,027 | 5,426,701 |
| Total Equity and Liabilities | | 11,179,645 | 10,083,897 |
| Commitments | | | |

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

| | Notes | Three months ended | | Six months ended | |
|---|-------|--------------------|------------|------------------|------------|
| | | September 30 | | September 30 | |
| | | 2015 | 2014 | 2015 | 2014 |
| | 3 | | restated | | restated |
| | | \$ | \$ | \$ | \$ |
| Sales | | 1,995,916 | 1,762,039 | 3,860,992 | 3,592,491 |
| Cost of sales | 7 | 1,609,937 | 1,410,993 | 3,143,742 | 2,933,315 |
| Gross Profit | | 385,979 | 351,046 | 717,250 | 659,176 |
| Selling and distribution expenses | 8 | 155,151 | 163,165 | 302,803 | 342,366 |
| General and administrative expenses | 9 | 166,207 | 160,175 | 318,959 | 298,338 |
| Operating Profit | | 64,621 | 27,706 | 95,488 | 18,472 |
| Foreign exchange loss (gain) | | 13,073 | (1,628) | 13,541 | (1,299) |
| (Gain) Loss on forward currency exchange contracts | | (34,467) | 150,855 | (24,117) | 150,855 |
| Loss on disposal of equipment | | - | 11,253 | - | 11,253 |
| Relocation expenses | | - | 149,125 | - | 149,125 |
| Interest expense | | 20,134 | 645 | 25,329 | 1,030 |
| Profit (Loss) Before Tax | | 65,881 | (282,544) | 80,735 | (292,492) |
| Income tax expense (recovery) | | 5,197 | (33,627) | 12,313 | (35,607) |
| Profit (Net Loss) and Comprehensive Income (Loss) | | 60,684 | (248,917) | 68,422 | (256,885) |
| Weighted average shares outstanding | | 33,665,800 | 33,313,626 | 33,665,800 | 33,287,357 |
| Earnings (loss) per share, basic and fully diluted | | 0.002 | (0.007) | 0.002 | (0.008) |

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 | - | - | - | - | (256,885) | (256,885) |
| As at September 30, 2014 (restated) | 3,839,080 | 11,745 | - | 286,874 | 565,235 | 4,702,934 |
| As at March 31, 2015 | 3,883,225 | - | 96,200 | 286,874 | 390,897 | 4,657,196 |
| Profit for the period | - | - | - | - | 68,422 | 68,422 |
| As at September 30, 2015 | 3,883,225 | - | 96,200 | 286,874 | 459,319 | 4,725,618 |

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 | | Six months ended | |
|---|-------|--------------------|------------------|--------------------|--------------------|
| | | September 30 | | September 30 | |
| | 3 | 2015 | 2014 | 2015 | 2014 |
| | | | restated | | restated |
| | | \$ | \$ | \$ | \$ |
| Operating Activities | | | | | |
| Profit (Net loss) | | 60,684 | (248,917) | 68,422 | (256,885) |
| Adjustments to reconcile profit to cash flows from operating activities | | | | | |
| - depreciation | | 91,953 | 76,711 | 180,359 | 167,169 |
| - loss on disposal of equipment | | - | 11,253 | - | 11,253 |
| - deferred operating lease liability | | 14,983 | - | 29,966 | - |
| - (gain) loss on forward currency exchange contracts | | (34,467) | 150,855 | (24,117) | 150,855 |
| - interest expense | | 20,134 | 645 | 25,329 | 1,030 |
| - interest paid | | (16,118) | (567) | (20,832) | (974) |
| - income tax expense (recovery) | | 5,197 | (33,627) | 12,313 | (35,607) |
| - income tax refunded (paid) | | 38,723 | (6,672) | 38,723 | (27,751) |
| Cash flows from operating activities before changes in non-cash working capital | | 181,089 | (50,319) | 310,163 | 9,090 |
| (Increase) decrease in | | | | | |
| - inventory | | 242,581 | 196,516 | 53,423 | 375,188 |
| - trade and other receivables | | 184,046 | (146,880) | 169,887 | (190,415) |
| - prepaid expenses | | (49,019) | (2,164) | (37,093) | (9,568) |
| - deferred tax assets | | - | - | - | 1,208 |
| (Decrease) increase in | | | | | |
| - deferred tax liability | | - | 1,199 | - | (8,442) |
| - trade and other payables | | (149,630) | 17,689 | (339,268) | 127,946 |
| Net Cash Flow from Operating Activities | | 409,067 | 16,041 | 157,112 | 305,007 |
| Investing Activities | | | | | |
| Purchase of plant and equipment | 10 | (913,287) | (308,520) | (4,421,961) | (2,013,475) |
| Interest capitalized | | (34,050) | - | (60,148) | - |
| Realized gain (loss) on forward currency contracts | | 28,374 | - | (166,139) | - |
| Lease deposits applied | | - | 12,920 | - | 22,433 |
| Net Cash Flow from Investing Activities | | (918,963) | (295,600) | (4,648,248) | (1,991,042) |
| Financing Activities | | | | | |
| Issuance of common shares for cash on exercise of warrants | | - | 32,400 | - | 32,400 |
| Term loan proceeds | | 943,225 | - | 4,709,347 | - |
| Repayment of term loans | | - | (16,668) | - | (33,336) |
| (Decrease) increase in revolving bank loans | | (447,290) | 125,000 | (310,379) | 125,000 |
| Net Cash Flow from Financing Activities | | 495,935 | 140,732 | 4,398,968 | 124,064 |
| Net Decrease in Cash and Cash Equivalents | | (13,961) | (138,827) | (92,168) | (1,561,971) |
| Cash and Cash Equivalents at the Beginning of the Period | | 18,203 | 215,263 | 96,410 | 1,638,407 |
| Cash and Cash Equivalents at the End of the Period | | 4,242 | 76,436 | 4,242 | 76,436 |

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

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014

(Canadian Dollars)

(unaudited)

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its subsidiary, WestBond Industries Inc., (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 and six month periods ended September 30, 2015 were approved and authorized for issue by resolution of the directors on November 18, 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. RESTATEMENT OF COMPARATIVE PERIODS

The comparative amounts for the three and six month periods ended September 30, 2014 have been restated to reflect the losses on forward exchange contracts as an expense, rather than capitalized under hedge accounting. Plant equipment has decreased and net loss has increased by \$150,855 from the amounts reported previously.

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014

(Canadian Dollars)

(unaudited)

4. STOCK OPTION PLAN

During the six months ended September 30, 2015, the company adopted a stock option plan that permits 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.

5. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2015, the company incurred total compensation comprising short-term employee benefits of \$175,837 (2014 – \$165,352), to the directors and officers of the company and incurred \$10,434 (2014 – \$5,777) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

6. 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 | <u>(448,065)</u> |
| Outstanding at September 30, 2015 | <u><u>-</u></u> |

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

| | Three months ended September 30 | | Six months ended September 30 | |
|---|------------------------------------|-----------|----------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| 7. COST OF SALES | | | | |
| Materials | 1,108,907 | 1,014,853 | 2,156,642 | 2,095,025 |
| Production labour | 166,307 | 141,666 | 329,677 | 275,669 |
| Factory overhead labour | 74,991 | 70,463 | 145,824 | 131,026 |
| Variable overhead | 50,313 | 47,935 | 94,996 | 95,215 |
| Fixed overhead | 120,599 | 62,376 | 243,087 | 174,467 |
| Depreciation | 88,820 | 73,700 | 173,516 | 161,913 |
| | 1,609,937 | 1,410,993 | 3,143,742 | 2,933,315 |
| 8. SELLING AND DISTRIBUTION EXPENSES | | | | |
| Shipping | 128,651 | 137,573 | 249,505 | 284,012 |
| Wages, commissions and other employee benefits | 22,096 | 21,835 | 45,630 | 51,749 |
| Other | 4,404 | 3,757 | 7,668 | 6,605 |
| | 155,151 | 163,165 | 302,803 | 342,366 |
| 9. GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Administration and office | 42,926 | 44,211 | 81,673 | 78,775 |
| Corporate promotion | 3,190 | 2,359 | 4,227 | 4,146 |
| Professional fees | 22,972 | 14,175 | 33,307 | 23,178 |
| Salaries and other employee benefits | 97,119 | 99,430 | 199,752 | 192,239 |
| | 166,207 | 160,175 | 318,959 | 298,338 |
| 10. NON-CASH INVESTING ACTIVITIES | | | | |
| Decrease in plant and equipment purchase liabilities supported by term loan commitments | - | - | 2,889,425 | - |
| (Decrease) increase in accounts payable related to purchase of plant and equipment | (165,146) | 161,925 | (6,895) | 183,362 |