WestBond Enterprises Corporation

Quarterly Report
June 30, 2017

Management Discussion and Analysis

Dated August 17, 2017 to Accompany the Interim Consolidated Financial Statements for the Three Month Period Ended June 30, 2017

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, foreign 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 manufacturer and 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 2017 Annual Report. A pdf version of the 2017 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, 2017 and our consolidated financial statements for the year ended March 31, 2017 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 2017 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since June 30, 2017, the date of the Management Discussion and Analysis in the 2017 Annual Report, is not repeated here.

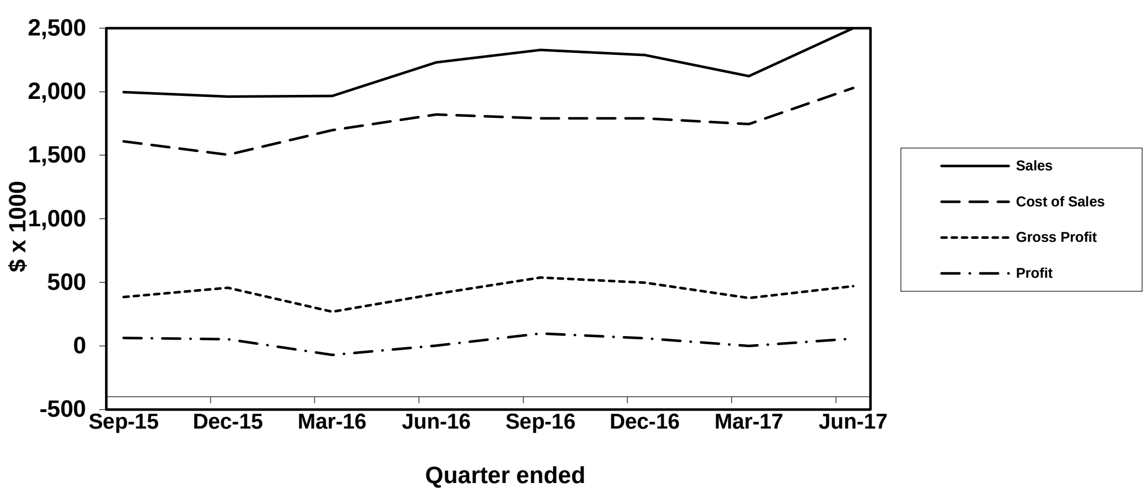
Sales were $2,498,878 for the three months ended June 30, 2017, which is 12.7% higher than for the three months ended June 30, 2016 and 17.1% higher than for the three months ended March 31, 2017. We realized a profit of $58,282 ($0.002 per share) for the three months ended June 30, 2017, compared to a profit of $2,938 ($0.000 per share) for the same period last year The increase is due to higher sales and improved operating margins.

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 2017**	**Mar 31 2017**	**Dec 31 2016**	**Sep 30 2016**	**Jun 30 2016**	**Mar 31 2016**	**Dec 31 2015**	**Sep 30 2015**
Sales	2,499	2,122	2,288	2,329	2,230	1,966	1,961	1,996
Cost of sales	2,030	1,746	1,791	1,791	1,821	1,696	1,504	1,610
Gross profit	469	376	497	538	409	270	457	386
Selling and distribution expenses	188	171	185	185	193	142	162	155
General and administrative expenses	164	155	170	162	166	163	153	166
Operating profit (loss)	117	50	142	191	50	(35)	142	65
Other expenses (income)	38	47	60	59	47	57	66	(1)
Profit (loss) before tax	79	3	82	132	3	(92)	76	66
Income tax expense (recovery)	21	2	22	35	-	(21)	22	5
Profit (loss)	58	1	60	97	3	(71)	54	61
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.000	0.002	0.003	0.000	(0.002)	0.002	0.002
Sales - % change over previous quarter	17.7	-7.2	-1.8	4.4	13.4	0.3	-1.8	7.0
Costs, expenses and net income - % of Sales								
Cost of sales	81.2	82.3	78.3	76.9	81.7	86.3	76.7	80.7
Selling and distribution expenses	7.6	8.1	8.1	7.9	8.7	7.3	8.2	7.8
General and administrative expenses	6.6	7.3	7.4	7.0	7.4	8.3	7.8	8.3
Other expenses (income)	1.5	2.2	2.6	2.5	2.1	2.7	3.4	-0.1
Income tax expense (recovery)	0.8	0.1	1.0	1.5	0.0	-1.1	1.1	0.3
Profit (loss)	2.3	0.0	2.6	4.2	0.1	-3.5	2.8	3.0



Sales

Sales for the three months ended June 30, 2017 were 12.1% higher than for the same period last year and 17.7% higher than the previous quarter, ended March 31, 2017. The increase is due to higher sales volumes.

Sales	Three months ended June 30		Change over last year
Product Line	2017 $	2016 $	
Personal hygiene	1,187,896	1,005,532	18.1%
Clinical	485,991	461,868	5.2%
Long-term care	610,044	596,430	2.3%
Air laid paper	177,647	98,397	80.5%
Other	37,300	67,704	- 44.9%
	2,498,878	2,229,931	12.1%

Cost of Sales

Materials costs, as a percentage of sales, was higher in 2017 than in 2016 due to lower than standard paper yields. We had difficulty purchasing paper in optimum grades, which meant we had to substitute heavier grades than standard, resulting in higher paper usage, and sizes, which caused higher than standard wastage. Our labour efficiency improved during 2017 due to longer production runs, which reduces product change machine set-up labour. Variable overhead was lower in 2017 than in 2016 from lower maintenance costs, offset by increased electricity and gas for the increase in airlaid paper produced.

Cost of Sales	Three months ended June 30	
	2017 % of sales	2016 % of sales
Materials	53.4%	50.3%
Production labour	7.9%	9.3%
Factory overhead labour	4.5%	4.9%
Variable overhead	3.4%	3.8%
Fixed overhead	5.1%	5.5%
Depreciation	6.9%	7.9%
Gross Margin	18.8%	18.3%

Selling Expenses

Selling expenses during the three months ended June 30, 2017 were 7.5% of sales, compared to 8.7% for the three months ended June 30, 2016. The decrease is from lower shipping costs.

General and Administrative Expenses

Some general and administrative expenses were lower in 2017 than in 2016. Reduced credit card fees caused the decrease in administration and office expense. Higher rates of pay caused salaries and employee benefits to increase.

During the three months ended June 30, 2017 the company incurred total short-term employee benefits of $103,105 (2016 – $94,468) to its key management personnel, comprising the directors and officers of the company, and incurred $2,213 (2015 – $2,973) 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

Fluctuations in the US dollar exchange rate resulted in a $9,738 gain in the three months ended June 30, 2017, compared with a $7,074 gain in the same period last year. Interest expense is lower in 2017 than 2016 because of lower loan balances.

Liquidity, Financial Position and Capital Resources

Our operating cash flows were $311,026 during the three months ended June 30, 2017, an average of $106,675 per month, compared to an average of $100,059 per month during the year ended March 31, 2017, before accounting for fluctuations in non-cash working capital. We had working capital of $788,389 at June 30, 2017, compared to $722,413 at March 31, 2017. The increase is due to the improved operating cash flows, offset by term loan payments and 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 $1,500,000, none of which was used at June 30, 2017. 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 $1,500,000 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 pulp and 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 term loan credit facility which was used for the purchase of our binder bonded air laid paper making machine. Repayment of the loan is in monthly instalments of $59,524 with a final payment of the balance of principal on August 22, 2019 (which was extended from August 22, 2018 subsequent to June 30, 2017). We intend to get annual one-year extensions of the final payment date at least one year before the final payment date so that no more than $714,288 (twelve monthly payments of $59,524) of the term loan is current at any time. 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.

We intend to spend around $300,000 for production equipment during the next year, which we will finance from operating cash flows.

New Accounting Policies

The International Accounting Standards Board adopted *IAS 16, Leases,* in January 2016, effective for financial years beginning on or after January 1, 2019. The new standard requires a lessee to recognize a "right-of-use" asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee recognizes depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Assets and liabilities are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

Effective for our financial year ending March 31, 2020, we will be required to reflect an asset and related liability for the lease of our premises. We have not yet quantified the impact this will have on our financial position.

The International Accounting Standards Board adopted *IFRS 15, Revenue from Contracts with Customers,* in May 2014 effective for financial years beginning on or after January 1, 2018, which establishes the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. The adoption of this standard will not have any significant impact on our financial statements, other than the disclosure of additional information, which is already provided in this Management Discussion and Analysis.

Share Capital

The Company has only one class of share capital, common shares without par value. The Company also has a stock option plan.

	August 17, 2017
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.

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, 2017 and 2016 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 2017 $	March 31 2017 $
ASSETS			
Non-Current Assets			
Plant and equipment		8,578,559	8,735,948
Lease deposits		18,012	18,012
Deferred tax asset		-	4,350
		8,596,571	8,758,310
Current Assets			
Inventory		1,112,683	1,180,152
Trade and other receivables		1,161,606	891,105
Income tax recoverable		5,055	5,055
Prepaid expenses		23,831	41,698
Cash and cash equivalents		349,750	124,677
		2,652,925	2,242,687
Total Assets		11,249,496	11,000,997
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,883,225	3,883,225
Stock options		96,200	96,200
Contributed surplus		286,874	286,874
Retained earnings		663,137	604,855
Equity attributable to common shareholders		4,929,436	4,871,154
Liabilities			
Non-Current Liabilities			
Term bank loans	3	3,690,472	3,869,044
Deferred operating lease liability		140,036	132,151
Deferred tax liability		625,016	608,374
		4,455,524	4,609,569
Current Liabilities			
Term bank loans	3	714,288	714,288
Trade and other payables		1,150,248	805,986
		1,864,536	1,520,274
Total Liabilities		6,320,060	6,129,843
Total Equity and Liabilities		11,249,496	11,000,997

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	
		2017	2016
		$	$
Sales		2,498,878	2,229,931
Cost of sales	5	2,030,102	1,820,963
Gross Profit		468,776	408,968
Selling and distribution expenses	6	188,412	192,857
General and administrative expenses	7	163,629	165,687
Operating Profit		116,735	50,424
Foreign exchange gain		(9,738)	(7,075)
Interest expense		47,199	54,229
Profit Before Tax		79,274	3,270
Income tax expense		20,992	332
Profit and Comprehensive Income		58,282	2,938
Weighted average shares outstanding		33,665,800	33,665,800
Earnings per share, basic and fully diluted		0.002	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	Stock Options	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$
Balance as at March 31, 2016	3,883,225	96,200	286,874	443,775	4,710,074
Profit for the period	-	-	-	2,938	2,938
Balance as at June 30, 2016	3,883,225	96,200	286,874	446,713	4,713,012
Balance as at March 31, 2017	3,883,225	96,200	286,874	604,855	4,871,154
Profit for the period	-	-	-	58,282	58,282
Balance as at June 30, 2017	3,883,225	96,200	286,874	663,137	4,929,436

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 2017	Three months ended June 30 2016
		$	$
Operating Activities			
Profit		58,282	2,938
Adjustments to reconcile profit to cash flows from operating activities			
- depreciation		176,668	179,320
- deferred operating lease liability		7,885	7,886
- interest expense		47,199	54,229
- income tax expense		20,992	332
Cash flows from operating activities before changes in non-cash working capital		311,026	244,705
Decrease (increase) in			
- inventory		67,469	177,937
- trade and other receivables		(270,501)	(104,806)
- prepaid expenses		17,867	18,669
Increase (decrease) in			
- trade and other payables		357,768	(309,289)
Net Cash Flow from Operating Activities		483,629	27,216
Investing Activities			
Purchase of plant and equipment	8	(31,476)	(56,778)
Net Cash Flow from Investing Activities		(31,476)	(56,778)
Financing Activities			
Repayment of term loans		(178,572)	-
Decrease in revolving bank loans		-	(10,422)
Interest paid		(48,508)	(49,706)
Net Cash Flow from Financing Activities		(227,080)	(60,128)
Net Increase (Decrease) in Cash and Cash Equivalents		225,073	(89,690)
Cash and Cash Equivalents at the Beginning of the Period		124,677	117,279
Cash and Cash Equivalents at the End of the Period		349,750	27,589

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

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its wholly owned subsidiary, WestBond Industries Inc., (together, the company) are a paper manufacturer and 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, 2017 were approved and authorized for issue by resolution of the directors on August 17, 2017.

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, 2018 could result in restatement of these interim consolidated financial statements. The interim consolidated financial statements have been prepared under the historical cost convention.

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, 2017.

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, 2017 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, 2017.

3. TERM BANK LOANS

Subsequent to June 30, 2017 the final payment of the balance of principal on the company's term bank loan was extended to August 2019.

4. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2017, the company incurred total compensation, comprising short-term employee benefits, of $103,105 (2016 – $94,468), to the directors and officers of the company and incurred $2,213 (2016 – $2,973) 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	
	2017	2016
	$	$
5. COST OF SALES		
Materials	1,335,455	1,121,960
Production labour	196,918	206,916
Factory overhead labour	112,950	109,095
Variable overhead	83,548	84,745
Fixed overhead	127,720	121,981
Depreciation	173,511	176,266
	2,030,102	1,820,963
6. SELLING AND DISTRIBUTION EXPENSES		
Shipping	153,460	166,415
Wages, commissions and other employee benefits	27,739	23,713
Other	7,213	2,729
	188,412	192,857
7. GENERAL AND ADMINISTRATIVE EXPENSES		
Administration and office	38,054	44,585
Corporate promotion	788	1,482
Professional fees	13,655	13,173
Salaries and other employee benefits	111,132	106,447
	163,629	165,687
8. NON-CASH INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to purchase of plant and equipment	(12,197)	14,895