WestBond Enterprises Corporation

Quarterly Report
December 31, 2004

Management Discussion and Analysis

dated February 16, 2005, to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2004

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, 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 2004 Annual Report. A pdf version of the 2004 Annual Report may be downloaded 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 the SEDAR web-site.

Discussion of Operations and Financial Condition

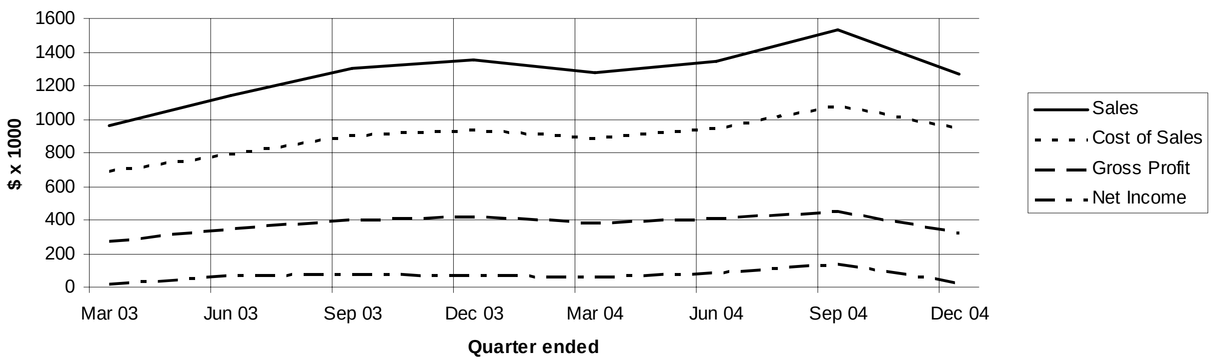
You should refer to our interim consolidated financial statements for the three and nine month periods ended December 31, 2004 and our consolidated financial statements for the year ended March 31, 2004, while you read this discussion. Those financial statements provide significant, material information 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 2004 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 26, 2004, the date of the Management Discussion and Analysis in the 2004 Annual Report, is not repeated here.

Net income for the three months ended December 31, 2004 was $24,827, or $0.002 per share, which is 65% lower than for the same period last year. Net income for the nine months ended December 31, 2004 was $165,638, or $0.017 per share, which is 22% lower than for the same period last year. The less profitable results for 2004 are due to increased variable overhead and administrative expenses and to decreased sales levels. We had difficulty obtaining paper during the three months ended December 31, 2004, which is the main reason our sales were lower.

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 Canadian generally accepted accounting principles.

	Quarters ended							
				restated (see discussion below)				
Cdn$ x 1,000	**Dec 31 2004**	**Sep 30 2004**	**Jun 30 2004**	**Mar 31 2004**	**Dec 31 2003**	**Sep 30 2003**	**Jun 30 2003**	**Mar 31 2003**
Sales	1,269	1,534	1,347	1,274	1,350	1,306	1,140	962
Cost of sales	948	1,085	941	888	937	902	792	687
Gross profit	321	449	406	386	413	404	348	275
Selling and marketing expenses	108	138	120	117	123	112	92	79
General and administrative expenses	164	205	158	168	171	172	147	163
Net income before tax	49	106	128	101	119	120	109	33
Future income tax expense	24	46	47	39	47	46	43	14
Net income	25	60	81	62	72	74	66	19
Net income per share, basic and diluted - Cdn$	0.002	0.006	0.008	0.006	0.007	0.008	0.007	0.002



The results for the quarters ended March 31, 2004 and earlier have been restated to reflect the retroactive application of the change in accounting policy for stock options granted to employees and directors, as described in note 2 to the financial statements for the three and nine month periods ended December 31, 2004. The effects on the specific quarters presented are:

	Quarters ended				
Cdn $ x 1,000	**Mar 31 2004**	**Dec 31 2003**	**Sep 30 2003**	**Jun 30 2003**	**Mar 31 2003**
Net income, as previously reported	70	80	82	76	24
Increase in compensation expense	8	8	8	10	5
Net income, as restated	62	72	74	66	19
Net income per share, basic and diluted - as previously reported - Cdn $	0.007	0.008	0.008	0.008	0.003
- as restated	0.006	0.007	0.008	0.007	0.002

Sales

Sales for the three months ended December 31, 2004 totalled $1,268,752 compared to $1,349,691 for the same period last year, a decrease of $80,939 or 6.0%, and $1,533,592 for the three months ended September 30, 2004, a decrease of $264,840 or 17.3%. Sales for the nine months ended December 31, 2004 were $4,149,694, an increase of 9.3% over the same period last year.

The decrease in sales was caused by a shortage of paper and, to a lesser extent, price competition. We were unable to purchase sufficient paper to fill our customers' orders during the quarter and lost approximately $200,000 in sales as a result. We were able to delay approximately another $100,000 in sales orders until January and February when we did manage to purchase the paper to fill the orders. This paper supply problem is cyclical, recurring every two to four years as supply decreases and prices rise. The peak of the cycle appears to be over and we anticipate fewer shortages over the next several months. To lessen the impact of future shortages, we have rented additional warehouse space and will be increasing our raw paper inventories.

For the quarter ended December 31, 2004, sales of clinical and long-term care products were $134,697 lower than the same quarter last year ($142,358 lower than the previous quarter, ended September 30, 2004) and personal hygiene products were $124,060 higher than last year ($127,651 lower than the previous quarter). Airline and other products showed a decrease of $70,302 in the quarter ended December 31, 2004 compared to 2003. Our temporary supply contract with Air Canada is now over, which is the reason for the decrease.

Cost of Sales

Materials costs were 52.5% of sales during the nine months ended December 31, 2004, compared to 52.3% during the same period last year. During the three months ended December 31, 2004, materials costs were 52.5% compared to 51.8% during the same period last year. Our normal operating range for materials has been 48% to 52% and the average for the year ended March 31, 2004 was 51.8%. The increase in the portion of sales of personal hygiene products versus the portion of sales of other products causes a shift in the product mix. Personal hygiene products have a higher materials to labour ratio than many of our other products. When personal hygiene products make up a higher proportion of the product mix, materials costs increase in relation to sales. Additionally, personal hygiene products have a lower overall profit margin than our other products. Overall profit margins, as a percent of sales, will decrease when personal hygiene products make up more of the product mix. Paper prices are starting to increase and we may see higher materials costs as a result.

Paper prices continue to be affected by changes in the US/Cdn dollar exchange rate and by unpredictable supply and demand. Our margins, however, are sufficiently high to accommodate these fluctuations profitably and remain well within expectations. We have announced a price increase to our customers to protect us against further negative fluctuations, which should improve our margins starting in April 2005.

The labour component in cost of sales was 7.7% of sales during the nine months ended December 31, 2004 compared to 7.8% in 2003. During the three months ended December 31, 2004, labour was 9.1% of sales compared to 8.3% in 2003. The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges.

Overhead, as a percentage of sales, has increased in 2004 over 2003 as a result of increased maintenance activities, higher insurance premiums, rent for additional warehouse space, stock transfer costs between the warehouse and the factory, additional depreciation on new equipment, and the appointment of a full-time production manager.

We have rented a larger warehouse to store our raw materials, which will increase our fixed overhead starting in January 2005. Our raw materials were crowding our production areas. We expect that the increase in efficiency achieved by making it easier to move around the machinery will eventually compensate for this cost increase. The additional warehouse space will also allow us to keep larger quantities of paper on hand and let us ride-out temporary paper market shortages with less of an effect on sales. We also plan to store more finished goods inventory to provide quicker service to our customers. We have not been able to maintain our finished goods inventory at our desired levels recently due to a shortage of space.

Selling Expenses

Selling expenses were slightly higher during the nine months ended December 31, 2004, at 8.8% of sales, compared to 8.6%. The higher costs are a result of shipping to customers farther away from the plant and to higher freight rates.

General and Administrative Expenses

General and administrative expenses were lower in 2004 than in 2003 by $6,417 for the three month period and higher by $37,717 for the nine month period. The increase in administration and office expenses was caused primarily by US/Cdn dollar exchange rate gains of $7,799 in 2003, compared to a loss of $1,722 in 2004 and by higher bank charges and car allowances. Corporate promotion activities increased during 2004 as a result of increased investor relations consultant fees and benefits. Interest is lower on long-term debt because of reduced interest rates and to lower average loan balances. Interest on other debt has increased in spite of reduced interest rates because of higher average loan balances. Professional fees are higher in 2004 than 2003 because of fees related to the transition of the Company to the new *Business Corporations Act* (British Columbia), under which new articles and various other filings were required, and also to increased audit requirements mandated by new securities regulations. Higher administrative salaries and benefits in 2004 are due to increased stock option expense.

Liquidity, Financial Position and Capital Resources

Our operating cash flows averaged $49,845 per month during the nine months ended December 31, 2004, before accounting for fluctuations in non-cash working capital. We also have a revolving bank loan facility of $650,000, of which $389,310 was drawn at December 31, 2004. In addition, we received $58,500 from the exercise of stock options in June 2004.

In October 2004, the interest rate on our revolving bank loan facility was reduced by ¾% to prime plus ¾% and, on our term loans, by ½% or 1% to prime plus 1%. These rate reductions will be offset somewhat by increases in the prime rate. Additionally, the limit on the amount of loans outstanding under the $650,000 revolving bank loan facility based on inventory was increased from 50% of $300,000, to 50% of $500,000, in addition to the limits based on 75% of Canadian accounts receivable and 50% of US accounts receivable, which remain unchanged.

We spent $310,305 on factory equipment additions during the nine months ended December 31, 2004. Our equipment addition plans are now substantially complete; however, we expect that small improvements to existing equipment will be made over the next year. We paid or expect to pay for these additions from operating cash flow.

The new conventional roll toilet paper winder is now fully operational and we have begun to sell product from the machine. We expect to see additional sales from this investment, starting by the end of the quarter ending March 31, 2005. Most of the machine time during the quarter ending December 31, 2004 was used to run product trials for potential customers, to train employees and to fine-tune the production parameters. The new table napkin and hand towel machines should come on line around the same time.

Share Capital

	February 16, 2005
Authorized common shares without par value	Unlimited
Issued common shares	10,003,800
Shares issuable on exercise of outstanding stock options	1,420,000
Shares available for future stock option grants	580,000

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.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
December 31, 2004

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2004 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 Balance Sheets
(Unaudited - See Notice to Reader)

	December 31 2004 $	March 31 2004 $ (restated) (note 2)
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	20,957	41,274
Accounts receivable	665,313	659,243
Inventory	600,029	574,594
Prepaid expenses	52,423	31,657
	1,338,722	1,306,768
PLANT AND EQUIPMENT	2,340,093	2,138,389
	3,678,815	3,445,157
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 3)	389,310	325,000
Accounts payable and accrued liabilities	441,115	501,145
Current portion of term loans (note 3)	150,012	206,630
	980,437	1,032,775
TERM LOANS (note 3)	399,972	512,481
FUTURE INCOME TAX LIABILITIES	269,623	151,773
	1,650,032	1,697,029
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 4)		
Authorized - unlimited (March 2004 - 50,000,000) common shares without par value		
Issued and outstanding - 10,003,800 (March 2004 - 9,613,800) shares	2,038,836	1,980,336
STOCK OPTIONS	111,982	55,465
DEFICIT	(122,035)	(287,673)
	2,028,783	1,748,128
	3,678,815	3,445,157

APPROVED BY THE BOARD OF DIRECTORS:

"Gennaro Magistrale"

"Owen Granger"

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

WESTBOND ENTERPRISES CORPORATION

Consolidated Statements of Operations and Deficit

(Unaudited - See Notice to Reader)

	Three months ended December 31		Nine months ended December 31	
	2004	2003	2004	2003
	$	$ (restated) (note 2)	$	$ (restated) (note 2)
Sales	1,268,752	1,349,691	4,149,694	3,795,403
Cost of Sales				
Materials	666,436	698,492	2,179,873	1,983,881
Labour	114,922	111,781	319,441	296,770
Variable overhead	77,255	47,825	206,396	121,380
Fixed overhead	57,007	52,652	168,936	150,390
Depreciation and amortization	31,991	26,345	98,701	78,202
	947,611	937,095	2,973,347	2,630,623
Gross Profit	321,141	412,596	1,176,347	1,164,780
Expenses				
Selling and marketing				
Shipping	83,398	92,162	270,612	232,150
Salaries, commissions and employee benefits	22,278	25,749	77,481	76,648
Other	1,979	5,150	17,416	17,901
	107,655	123,061	365,509	326,699
General and administrative				
Administration and office	21,237	25,429	75,932	61,468
Corporate promotion	17,202	23,875	67,416	62,676
Interest on term loans	7,642	12,407	24,974	37,262
Interest on other debt	5,611	3,445	15,475	12,450
Professional fees	8,803	6,642	40,879	24,027
Salaries and employee benefits	103,706	98,820	302,674	291,750
	164,201	170,618	527,350	489,633
Income for the Period before Future Income Tax Expense	49,285	118,917	283,488	348,448
Future Income Tax Expense	24,458	47,485	117,850	136,385
Net Income for the Period	24,827	71,432	165,638	212,063
Deficit - Beginning of Period, as previously reported	(146,862)	(388,686)	(239,570)	(546,935)
Adjustment to reflect cumulative effect of change in accounting policy for employee stock options (note 2)	-	(31,824)	(48,103)	(14,206)
Deficit - Beginning of Period, as restated	(146,862)	(420,510)	(287,673)	(561,141)
Deficit - End of Period	(122,035)	(349,078)	(122,035)	(349,078)
Net Income per Share, basic and diluted	0.002	0.007	0.017	0.021

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

WESTBOND ENTERPRISES CORPORATION
Consolidated Statements of Cash Flows
(Unaudited - See Notice to Reader)

	Three months ended December 31		Nine months ended December 31	
	2004	**2003**	**2004**	**2003**
	$	**$ (restated) (note 2)**	**$**	**$ (restated) (note 2)**
Cash Flows from Operating Activities				
Net income for the period	24,827	71,432	165,638	212,063
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation and amortization	35,330	29,533	108,601	87,509
- stock option expense	22,348	11,820	56,517	29,438
- future income tax expense	24,458	47,485	117,850	136,385
	106,963	160,270	448,606	465,395
Net change in non-cash working capital related to operating activities	(98,478)	(2,925)	(112,301)	(119,284)
	8,485	157,345	336,305	346,111
Cash Flow from Investing Activity				
Purchase of plant and equipment	(42,336)	(95,147)	(310,305)	(618,208)
Cash Flows from Financing Activities				
Term loan proceeds	-	-	-	750,000
Repayment of term loans	(45,023)	(62,052)	(169,127)	(388,651)
Increase (decrease) in bank indebtedness	77,527	41,846	64,310	(45,331)
Issue of shares on exercise of stock options	-	-	58,500	820
	32,504	(20,206)	(46,317)	316,838
(Decrease) Increase in Cash and Cash Equivalents	(1,347)	41,992	(20,317)	44,741
Cash and Cash Equivalents - Beginning of Period	22,304	13,342	41,274	10,593
Cash and Cash Equivalents - End of Period	20,957	55,334	20,957	55,334
Interest Paid	13,163	15,692	40,970	49,297

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2004
(unaudited)

1. Interim Period Reporting

While the information presented in these interim consolidated financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to the fair presentation of the interim periods reported. These interim consolidated financial statements are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The accounting policies used and the methods of their application are the same as for the consolidated financial statements for the year ended March 31, 2004, except as described below in note 2. As certain note information has been condensed or omitted, these financial statements should only be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2004.

2. Change in Accounting Policy for Employee and Director Stock Options

Effective April 1, 2004 the company has adopted the fair value based method of accounting for stock options granted to employees and directors. Under this method, the fair value of stock options granted to employees and directors after March 31, 2002 is reflected as compensation expense and a contribution to shareholders' equity during the period in which the options vest. Previously, the company did not recognize compensation expense for stock options granted to employees and directors.

This change in accounting policy has been applied retroactively; accordingly, prior comparative periods presented in these financial statements have been restated to recognize compensation expense and contribution to shareholders' equity for options that vested during those prior periods, and the deficits at the beginning of the periods have been adjusted to reflect contribution expense for options that vested prior to the periods.

As a result of this restatement, for the three and nine month periods ended December 31, 2003, variable overhead has been increased by $1,092 and $1,753, respectively, general and administrative salaries and employee benefits have been increased by $7,047 and $24,004, respectively, and net income has been reduced by $8,139 and $25,757, respectively, from the amounts previously reported. The stock option and deficit components of shareholders' equity have each been increased by $48,103 at March 31, 2004.

3. Bank Indebtedness and Term Loans

During the nine months ended December 31, 2004, the rate of interest was decreased to prime plus ¾% (from prime plus 1-½%) on loans under the company's revolving bank loan facility and to prime plus 1% (from prime plus 1-½% or 2%) on the company's term loans. Additionally, the limit on the amount of loans outstanding under the $650,000 revolving bank loan facility based on inventory was increased from 50% of $300,000, to 50% of $500,000, in addition to the limits based on 75% of Canadian accounts receivable and 50% of US accounts receivable, which remain unchanged.

4. Share Capital

Authorized Capital - During the nine months ended December 31, 2004, the authorized capital of the company was increased first to 500,000,000 common shares without par value from 50,000,000 common shares without par value and then to an unlimited number of common shares without par value.

Stock Options - During the nine months ended December 31, 2004, options to purchase 390,000 shares at $0.15 per share until June 3, 2004 were exercised and options to purchase 635,000 shares at $0.27 per share until July 7, 2009 were granted. Also, during the nine months ended December 31, 2004, the company approved a new stock option plan to replace its previous plan. A maximum of 2,000,000 shares may be issued under the new stock option plan, including shares currently under option.

The fair value of the options granted during the nine months ended December 31, 2004 was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 3.89%, a dividend yield of 0%, an expected option life of 4 years and volatility of 100%. The fair value of the options granted is charged to earnings based on the vesting schedule of 12-½% every three months, commencing on the date of grant.

4. Share Capital (continued)

The following stock options are outstanding at December 31, 2004.

Expiry date	Total number of shares under option	Weighted average remaining contractual life	Weighted average exercise price	Number of shares under option that are vested	Weighted average exercise price
December 18, 2006	175,000	2.0 years	$0.300	109,375	$0.300
December 12, 2007	410,000	2.9 years	$0.120	410,000	$0.120
May 6, 2008	200,000	3.3 years	$0.150	200,000	$0.150
July 7, 2009	635,000	4.5 years	$0.270	158,750	$0.270
	1,420,000	3.8 years	$0.213	751,875	$0.176

5. Related Party Transactions

During the nine months ended December 31, 2004, the company incurred $20,306 (2003 - $12,372) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. The fees are included in professional fees. At December 31, 2004 accounts payable and accrued liabilities include $nil (2003 - $2,812) due to the firm.

6. Lease Commitment

During the nine months ended December 31, 2004, the company entered into an operating lease agreement for additional warehouse space which expires in December 2007. Future minimum lease payments are as follows:

Three months ending March 31, 2005	$ 14,128
Year ending March 31, 2006	56,511
2007	56,511
2008	42,383