WestBond Enterprises Corporation

Quarterly Report
December 31, 2005

Management Discussion and Analysis

dated February 27, 2006, to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2005

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 2005 Annual Report. A pdf version of the 2005 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 nine month periods ended December 31, 2005 and our consolidated financial statements for the year ended March 31, 2005 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 2005 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2005, the date of the Management Discussion and Analysis in the 2005 Annual Report, is not repeated here.

Sales were $4,677,764 for the nine months ended December 31, 2005, which is 12.7% more than for the same period last year, and $1,598,479 for the three months ended December 31, 2005, which is 26% more than the same period last year. Net income was $130,081, or $0.013 per share, for the nine months ended December 31, 2005 and $12,529, or $0.001 per share, for the three months ended December 31, 2005. These results are not as profitable as the same periods last year, primarily due to increased materials costs and overhead expenses. The gross profit margin was 24% during the nine months ended December 31, 2005 and 25% during the three months ended December 31, 2005, compared to 28% and 25% during the same periods last year.

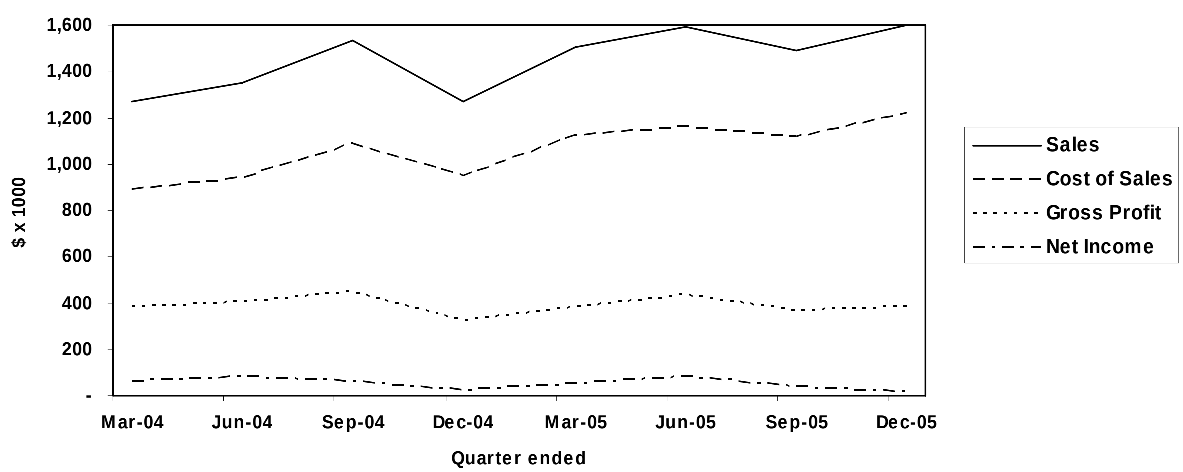
In September 2005 we purchased the equipment of a California based paper converter. The equipment includes two more winders for the personal hygiene line and a facial tissue folder, which will allow us to greatly expand our product mix and capacity. It also includes a number of other machines that will increase our operating efficiency.

We also entered into an agency agreement with National Sales of Sacramento, California, who now exclusively represents WestBond's complete product lines throughout the western United States. The owners of National have many years experience in the sales and distribution of paper products and their extensive customer base is available as potential customers for WestBond. We expect significant increases in sales, commencing in the fourth quarter of this fiscal year, as a result of this.

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							
Cdn$ x 1,000	**Dec 31 2005**	**Sep 30 2005**	**Jun 30 2005**	**Mar 31 2005**	**Dec 31 2004**	**Sep 30 2004**	**Jun 30 2004**	**Mar 31 2004**
Sales	1,598	1,487	1,592	1,502	1,269	1,534	1,347	1,274
Cost of sales	1,215	1,118	1,157	1,124	948	1,085	941	888
Gross profit	383	369	435	378	321	449	406	386
Selling and marketing expenses	171	125	136	120	108	138	120	117
General and administrative expenses	183	176	163	169	164	205	158	168
Net income before taxes	29	68	136	89	49	106	128	101
Income tax expense	17	31	55	39	24	46	47	39
Net income	12	37	81	50	25	60	81	62
Net income per share, basic and diluted - Cdn$	0.001	0.004	0.008	0.005	0.002	0.006	0.008	0.006
Sales - % change over previous quarter	7.5	-6.6	6.0	18.4	-17.3	13.8	5.8	-5.6
Costs, expenses and net income - % of Sales								
Cost of sales	76.0	72.7	74.8	74.7	70.7	69.8	69.6	69.4
Selling and marketing expenses	10.8	8.6	8.0	8.5	9.0	8.9	9.2	9.1
General and administrative expenses	11.4	10.2	11.3	12.9	13.4	11.8	12.6	12.1
Income tax expense	1.0	3.4	2.5	1.9	3.0	3.5	3.1	3.5
Net income	0.8	5.1	3.4	2.0	3.9	6.0	5.5	5.9



Sales

Sales for the nine months ended December 31, 2005 are 12.7% higher than the same period last year. Sales for the three months are 26% higher than for the same period last year and 7.5% higher than for the three months ended September 30, 2005. The increase in sales is due to increased volumes from all product lines. The paper supply problems we encountered during the September 2005 quarter have been alleviated and we have caught up significantly on unshipped order backlogs.

	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2005 $	2004 $		2005 $	2004 $	
Personal hygiene	657,216	590,971	+11.2%	2,093,940	1,849,334	+13.2%
Clinical and long-term care	863,821	624,495	+38.3%	2,420,703	2,154,272	+12.4%
Other	77,442	53,286	+45.3%	163,121	146,088	+11.7%
	1,598,479	1,268,752	+26.0%	4,677,764	4,149,694	+12.7%

We anticipate sales from all product lines to increase in future periods. Our recently engaged California based sales agent is aggressively expanding our sales base throughout the western United States. The agent has an extensive customer base in California and Oregon. We have scheduled price increases to take effect during March and April 2006 and expect to see increased revenues and profit margins as a result.

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2005 compared to 2004, most significantly in materials costs.

	Three months ended December 31		Nine months ended December 31	
	2005 % of sales	2004 % of sales	2005 % of sales	2004 % of sales
Materials	55.3%	52.5%	53.9%	52.5%
Labour	7.6%	9.1%	7.6%	7.7%
Variable overhead	6.0%	6.1%	5.8%	5.0%
Fixed overhead	4.5%	4.5%	4.6%	4.1%
Depreciation	2.6%	2.5%	2.7%	2.4%
Gross Margin	76.0%	74.7%	74.6%	71.7%

Our normal operating range for materials has been 48% to 53% and the average for the year ended March 31, 2005 was 52.9%. Materials cost increases are due to fluctuations in the yield factors (the amount of product that a certain weight of paper will produce) and to increased paper prices. The paper yield factors should improve as recently hired employees develop more experience in operating our equipment.

Paper prices continue to be affected by changes in the US/Cdn dollar exchange rate. Higher US dollar prices have generally been offset by more favourable exchange rates, although indications are that the exchange rates will not be as favourable as they have been recently. Paper price increases during the last quarter were not completely offset by the more favourable exchange rates, which is the main cause of the significant increase in our materials cost ratio. We expect that higher sales prices, commencing in the first quarter of the next fiscal year, will offset the increased paper costs.

The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. We have experienced an increase in direct labour costs over the last several months, which is a temporary problem caused by recently hired employees being less productive than experienced employees. We are increasing our labour force to handle the increase in sales that we expect.

Overhead, as a percentage of sales, has increased in 2005 over 2004 as a result of increased maintenance activities, 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. Our purchase of additional equipment in September 2005 will increase both our fixed costs, for additional warehouse space and insurance, and our depreciation charges.

Selling Expenses

Selling expenses were higher during 2005 compared to 2004, at 9.3% of sales, compared to 8.8%. The increase is caused by higher freight rates and the additional of the California sales agent. We expect the new sales agent will increase sales to the USA significantly in future periods.

General and Administrative Expenses

General and administrative expenses were lower in 2005 than in 2004 by $7,352 for the nine months ended December 31 and higher in 2005 than in 2004 by $18,049 during the three month period. Decreased corporation promotion costs and professional fees offset increases in other categories. Corporate promotion costs decreased as a result of lower investor relations consultant fees. Professional fees are lower because of fees related to the transition of the Company to the new *Business Corporations Act* (British Columbia) during 2004. Interest expense is higher because of increased debt levels. Salaries have increased because of increased salaries for administrative staff and to more part-time staff. Administrative and office expenses are higher because of the higher volume of sales and production activity.

Liquidity, Financial Position and Capital Resources

Our financial position continued to improve during the nine months ended December 31, 2005. This is the result of continued profitable operations and positive operating cash flows. We continue to invest surplus cash in equipment and to pay down long-term debt. In September 2005 we received a new term loan of $465,000 which we used to purchase additional equipment that will allow us to expand our product mix, capacity and operating efficiency. Much of the equipment is now in operation and the rest should be brought into production over the next several months. We will use the additional capacity to expand our sales efforts in the western United States.

Our operating cash flows averaged $45,295 per month during the nine months ended December 31, 2005, before accounting for fluctuations in non-cash working capital. We also have a revolving bank loan facility of $650,000, of which $406,637 was drawn at December 31, 2005.

We spent $760,940 on equipment additions during the nine months ended December 30, 2005, which we financed through long-term debt and cash flow. We expect to spend another $100,000 on improvements to our equipment over the next several months. These improvements should increase our production efficiency, reducing materials and labour costs (as a portion of sales), and lessen maintenance activities, which will reduce our variable overhead (as a portion of sales). We expect to pay for these equipment improvements from operating cash flow.

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.

	February 27, 2006
Authorized common shares without par value	Unlimited
Issued common shares	10,003,800
Shares issuable on exercise of outstanding stock options	1,595,000
Shares available for future stock option grants	405,000

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company. The maximum number of shares issuable under the stock option plan is 2,000,000.

The shareholder rights plan (the “Plan”) is meant to protect the Company’s shareholders from unfair, abusive or coercive takeover strategies. The Plan will remain in effect until April 29, 2006. 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 not approved by the board of directors of the Company. 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.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
December 31, 2005

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2005 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)

(Canadian Dollars)

	December 31 2005	March 31 2005
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	60,664	20,866
Accounts receivable	907,523	762,875
Inventory	767,482	827,817
Prepaid expenses	48,613	65,821
	1,784,282	1,677,379
PLANT AND EQUIPMENT	2,980,907	2,350,018
	4,765,189	4,027,397
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	406,637	424,217
Accounts payable and accrued liabilities	841,918	692,999
Current portion of term loans (note 2)	244,584	150,012
	1,493,139	1,267,228
TERM LOANS (note 2)	596,745	362,469
FUTURE INCOME TAX LIABILITIES	391,390	298,662
	2,481,274	1,928,359
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 3)		
Authorized - unlimited common shares without par value		
Issued and outstanding - 10,003,800 shares	2,038,836	2,038,836
STOCK OPTIONS	186,373	131,577
RETAINED EARNINGS (DEFICIT)	58,706	(71,375)
	2,283,915	2,099,038
	4,765,189	4,027,397

APPROVED BY THE BOARD OF DIRECTORS:

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

WESTBOND ENTERPRISES CORPORATION
Consolidated Statements of Operations and Retained Earnings
(Unaudited - See Notice to Reader)
(Canadian Dollars)

	Three months ended December 31		Nine months ended December 31	
	2005	2004	2005	2004
	$	$	$	$
Sales	1,598,479	1,268,752	4,677,764	4,149,694
Cost of Sales				
Materials	882,784	666,436	2,522,711	2,179,873
Labour	121,007	114,922	354,307	319,441
Variable overhead	96,551	77,255	272,907	206,396
Fixed overhead	72,589	57,007	216,040	168,936
Depreciation and amortization	41,715	31,991	123,402	98,701
	1,214,646	947,611	3,489,367	2,973,347
Gross Profit	383,833	321,141	1,188,397	1,176,347
Expenses				
Selling and marketing				
Shipping	112,489	83,398	314,296	270,612
Salaries, commissions and employee benefits	51,296	22,278	98,984	77,481
Other	8,411	1,979	22,153	17,416
	172,196	107,655	435,433	365,509
General and administrative				
Administration and office	29,185	21,237	87,736	75,932
Corporate promotion	10,877	17,202	36,861	67,416
Interest on term loans	12,223	7,642	27,296	24,974
Interest on other debt	5,062	5,611	17,676	15,475
Professional fees	13,593	8,803	27,674	40,879
Salaries and employee benefits	111,310	103,706	322,755	302,674
	182,250	164,201	519,998	527,350
Income for the Period before Taxes	29,387	49,285	232,966	283,488
Income Taxes				
Current	(10,973)	-	10,157	-
Future	27,831	24,458	92,728	117,850
	16,858	24,458	102,885	117,850
Net Income for the Period	12,529	24,827	130,081	165,638
Retained Earnings (Deficit)				
- Beginning of Period	10,040	(146,862)	(71,375)	(287,673)
- End of Period	22,569	(122,035)	58,706	(122,035)
Net Income per Share, basic and diluted	0.001	0.002	0.013	0.017

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)
(Canadian Dollars)

	Three months ended December 31		Nine months ended December 31	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Cash Flows from Operating Activities				
Net income for the period	12,529	24,827	130,081	165,638
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation and amortization	43,939	35,330	130,051	108,601
- stock option expense	15,605	22,348	54,796	56,517
- future income tax expense	27,831	24,458	92,728	117,850
	99,904	106,963	407,656	448,606
Net change in non-cash working capital related to operating activities	58,073	(98,478)	81,814	(112,301)
	157,977	8,485	489,470	336,305
Cash Flow from Investing Activity				
Purchase of plant and equipment	(118,940)	(42,336)	(760,940)	(310,305)
Cash Flows from Financing Activities				
Term loan proceeds	-	-	465,000	-
Repayment of term loans	(61,146)	(45,023)	(136,152)	(169,127)
Increase (decrease) in bank indebtedness	19,836	77,527	(17,580)	64,310
Issue of shares on exercise of stock options	-	-	-	58,500
	(41,310)	32,504	311,268	(46,317)
(Decrease) Increase in Cash and Cash Equivalents	(2,273)	(1,347)	39,798	(20,317)
Cash and Cash Equivalents - Beginning of Period	62,937	22,304	20,866	41,274
- End of Period	60,664	20,957	60,664	20,957
Interest Paid	16,953	13,163	44,214	40,970

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2005
(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, 2005. 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, 2005.

2. Term Loans

During the nine months ended December 31, 2005, the company received an additional term loan of $465,000 repayable in equal monthly instalments of $7,881 plus interest at bank prime rate plus 0.75%. The interest on the other term loans outstanding was also reduced to bank prime rate plus 0.75%.

3. Share Capital

Stock Options - During the nine months ended December 31, 2005 the company granted an option to purchase 75,000 shares at $0.24 per share until November 30, 2007. The grant date fair value of this option was $0.048 per share, which will be charged to earnings based on the vesting schedule of 9,375 shares per quarter. The fair value of this option was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 3.73%, a dividend yield of 0%, an expected option life of 2 years and a volatility of 32%.

The following stock options are outstanding at December 31, 2005.

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	1.0 years	$0.300	175,000	$0.300
November 30, 2007	75,000	1.9 years	$0.240	9,375	$0.240
December 12, 2007	410,000	1.9 years	$0.120	410,000	$0.120
May 6, 2008	200,000	2.3 years	$0.150	200,000	$0.150
July 7, 2009	635,000	3.5 years	$0.270	476,250	$0.270
	1,420,000	2.5 years	$0.215	1,270,625	$0.207

4. Related Party Transactions

During the nine months ended December 31, 2005, the company incurred $9,686 (2004 - $20,306) in legal fees in the normal course of operations with firms in which a director of the company was a partner. $4,181 (2004 - $19,503) of the fees are included in professional fees and $5,505 (2004 - $nil) are included in plant and equipment. At December 31, 2005, accounts payable and accrued liabilities include $nil (March 31, 2005 - $nil) due to the firm.