WestBond Enterprises Corporation

Quarterly Report
December 31, 2006

Management Discussion and Analysis

dated February 23, 2007, to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2006

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 2006 Annual Report. A pdf version of the 2006 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

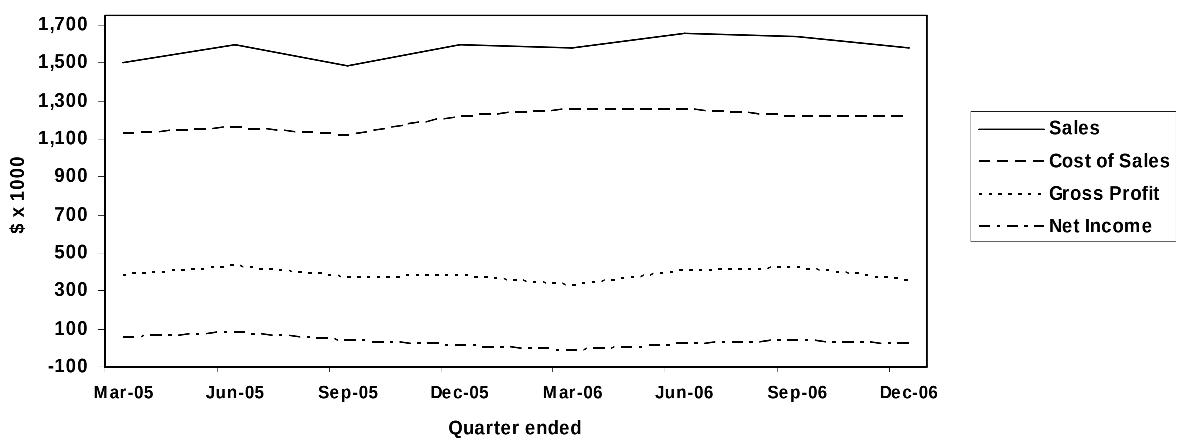
You should refer to our interim consolidated financial statements for the three and nine month periods ended December 31, 2006 and our consolidated financial statements for the year ended March 31, 2006 while you read this discussion. Those financial statements provide significant, material information 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 2006 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 27, 2006, the date of the Management Discussion and Analysis in the 2006 Annual Report, is not repeated here.

Sales were $1,580,121 for the three months ended December 31, 2006, which is 1% less than for the same period last year and 4% less than for the three months ended September 30, 2006. Net income was $19,844, or $0.002 per share for the three months ended December 31, 2006 and $79,919, or $0.008 per share for the nine months ended December 31, 2006. The nine month results are not as profitable as the same period last year, primarily due to increased overhead expenses, shipping costs and sales commissions. The gross profit margin was 22.6% during the three months ended December 31, 2006, compared to 24.0% during the same period last year and 25.6% during the three months ended September 30, 2006.

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 2006**	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**	**Jun 30 2005**	**Mar 31 2005**
Sales	1,580	1,641	1,656	1,581	1,598	1,487	1,592	1,502
Cost of sales	1,223	1,221	1,250	1,249	1,215	1,118	1,157	1,124
Gross profit	357	420	406	332	383	369	435	378
Selling and marketing expenses	174	191	183	194	171	125	136	120
General and administrative expenses	152	169	181	178	183	176	163	169
Net income (loss) before taxes	31	60	42	(40)	29	68	136	89
Income tax expense (recovery)	11	22	20	(25)	17	31	55	39
Net income (loss)	20	38	22	(15)	12	37	81	50
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.004	0.002	(0.002)	0.001	0.004	0.008	0.005
Sales - % change over previous quarter	-3.7	-0.9	4.7	-1.1	7.5	-6.6	6.0	18.4
Costs, expenses and net income - % of Sales								
Cost of sales	77.4	74.4	75.4	79.0	76.0	75.1	72.7	74.8
Selling and marketing expenses	11.0	11.6	11.1	12.3	10.8	8.5	8.6	8.0
General and administrative expenses	9.6	10.3	10.9	11.3	11.4	11.8	10.2	11.3
Income tax expense	0.7	1.4	1.2	-1.6	1.0	2.1	3.4	2.5
Net income	1.3	2.3	1.4	-1.0	0.8	2.5	5.1	3.4



Sales

Sales for the three months ended December 31, 2006 are 1.1% lower than for the same period last year. Sales for the nine month period are 4.3% higher than last year. The decrease in sales for the three month period is due to decreased volumes from the personal hygiene and other lines offset by increases in clinical and long-term care product lines. The fluctuations in sales are mainly from volume differences. Small price increases have gone into effect during the last quarter, although the full effect will not be seen until next quarter. The weak US dollar prices also reduced the Canadian dollar value of our sales to the US.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2006 $	2005 $		2006 $	2005 $	
Personal hygiene	609,716	657,216	-7.2%	2,026,077	2,093,940	-3.2%
Clinical and long-term care	918,062	863,821	+6.3%	2,633,538	2,420,703	+8.8%
Other	52,343	77,442	-32.4%	217,742	163,121	+33.5%
	1,580,121	1,598,479	-1.1%	4,877,357	4,677,764	+4.3%

We anticipate sales from all product lines to increase in future periods. Sales of the personal hygiene products are lower this year because of competition in the US market from China and from equipment down-time. The equipment is now running well and we expect sales volumes to resume their growth. Other sales for the nine months ended December 31, 2006 include a business interruption insurance claim for sales lost due to the down-time.

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2006 compared to 2005. Higher labour costs, variable overhead, fixed overhead and depreciation were offset by savings on materials.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2006 % of sales	2005 % of sales	2006 % of sales	2005 % of sales
Materials	53.2%	55.3%	51.9%	53.9%
Labour	8.0%	7.6%	7.9%	7.6%
Variable overhead	6.9%	6.0%	7.5%	5.9%
Fixed overhead	5.7%	4.5%	4.9%	4.6%
Depreciation	3.6%	2.6%	3.5%	2.6%
Gross Margin	22.6%	24.0%	24.3%	25.4%

Our normal operating range for materials has been 48% to 54% and the average for the year ended March 31, 2006 was 54%. Materials cost fluctuations are due to variations in the yield factors (the amount of product that a certain weight of paper will produce), paper prices and to product mix. The paper yield factors improved during the last two quarters as recently hired employees developed more experience in operating our equipment. We also received favourable pricing on a portion of our paper purchases during most of the last nine months. The weak US dollar contributed to the lower paper costs as most of our paper is purchased in US dollars.

The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. We experienced an increase in direct labour costs over the last several months, which was a temporary problem caused by recently hired employees being less productive than experienced employees. This problem has now been resolved and efficiencies have improved. We are increasing our labour force to handle the increase in sales that we expect. We expect to see improvements in labour efficiency over the remainder of the year. The local labour shortage, however, may mean higher wage rates in future could increase our overall labour costs.

Variable overhead, as a percentage of sales, has increased in 2006 over 2005 as a result of increased maintenance activities, rent for additional warehouse space and stock transfer costs between the warehouse and the factory. Our purchase of additional equipment in September 2005 increased our depreciation charges.

Selling Expenses

Selling expenses were higher during 2006 compared to 2005, at 11.0% of sales, compared to 10.8% for the three month periods and 11.2% compared to 9.3% for the nine month periods. The increase is caused by higher freight rates and the addition of a 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 2006 than in 2005 by $30,579 for the three month period and $18,682 for the nine month period. Increased interest expense offset decreases in other categories. Corporate promotion costs and salaries and employee benefits decreased as a result of lower stock option expense. Interest expense is higher because of increased debt levels and increased interest rates.

Liquidity, Financial Position and Capital Resources

Our financial position continued to improve during the nine months ended December 31, 2006. 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.

Our operating cash flows were $325,839 during the nine months ended December 31, 2006, an average of $36,204 per month, compared to an average of $37,580 per month during the year ended March 31, 2006, before accounting for fluctuations in non-cash working capital.

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. The total principal outstanding on term loans was $596,745 at December 31, 2006, compared to $780,183 at March 31, 2006. Principal repayments are $20,382 per month.

In August 2006 our revolving bank loan facility was increased from $650,000 to $1,000,000. $889,293 of this facility was used at December 31, 2006. 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 $500,000 are not included in the calculation. Additionally, earnings before interest, taxes and depreciation, calculated on a rolling four quarter basis, must be maintained at 1.5 times the current portion of long-term debt plus interest expense by March 31, 2007. In order to meet this requirement, we need operating cash flow, before changes in non-cash working capital, of approximately $110,000 for the three months ending March 31, 2007.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $200,000 and accounts payable by an additional $200,000. 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. Accounts receivable levels have increased as a result of higher sales and production volumes.

We currently plan to spend approximately $200,000 on equipment expansions and improvements over the next twelve months. We will finance these additions from operating cash flows. We may acquire additional equipment, if worthy new product opportunities arise. Financing for additional equipment would be available through operating cash flow and additional term loans.

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 23, 2007
Authorized common shares without par value	Unlimited
Issued common shares	10,003,800
Shares issuable on exercise of outstanding stock options	1,145,000
Shares available for future stock option grants	855,000

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 the Company’s annual general meeting in 2009. 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.

WestBond Enterprises Corporation

Interim Consolidated Financial Statements
December 31, 2006

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2006 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 2006	March 31 2006
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	75,243	62,924
Accounts receivable	1,121,329	1,008,730
Inventory	713,604	827,274
Prepaid expenses	46,010	38,813
	1,956,186	1,937,741
PLANT AND EQUIPMENT	2,954,930	3,014,802
	4,911,116	4,952,543
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 2)	889,293	615,101
Accounts payable and accrued liabilities	605,594	888,455
Current portion of term loans (note 2)	244,584	244,584
	1,739,471	1,748,140
TERM LOANS (note 2)	352,161	535,599
FUTURE INCOME TAX LIABILITIES	438,921	384,668
	2,530,553	2,668,407
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	218,486	201,978
RETAINED EARNINGS	123,241	43,322
	2,380,563	2,284,136
	4,911,116	4,952,543

APPROVED BY THE BOARD OF DIRECTORS:

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	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Sales	1,580,121	1,598,479	4,877,357	4,677,764
Cost of Sales				
Materials	840,654	882,784	2,532,890	2,522,711
Labour	125,905	121,007	386,063	354,307
Variable overhead	109,652	96,551	367,067	272,907
Fixed overhead	89,637	72,589	238,141	216,040
Depreciation and amortization	57,435	41,715	169,383	123,402
	1,223,283	1,214,646	3,693,544	3,489,367
Gross Profit	356,838	383,833	1,183,813	1,188,397
Expenses				
Selling and marketing				
Shipping	114,438	112,489	374,024	314,296
Salaries, commissions and employee benefits	50,543	51,296	147,942	98,984
Other	8,813	8,411	26,359	22,153
	173,794	172,196	548,325	435,433
General and administrative				
Administration and office	19,065	29,185	75,764	87,736
Corporate promotion	8,108	10,877	31,072	36,861
Interest on term loans	10,672	12,223	34,593	27,296
Interest on other debt	12,420	5,062	33,288	17,676
Professional fees	6,759	13,593	25,718	27,674
Salaries and employee benefits	94,647	111,310	300,881	322,755
	151,671	182,250	501,316	519,998
Income for the Period before Taxes	31,373	29,387	134,172	232,966
Provision for Income Taxes				
Current	-	(10,973)	-	10,157
Future	11,529	27,831	54,253	92,728
	11,529	16,858	54,253	102,885
Net Income for the Period	19,844	12,529	79,919	130,081
Retained Earnings (Deficit)				
- Beginning of Period	103,397	10,040	43,322	(71,375)
- End of Period	123,241	22,569	123,241	58,706
Earnings per Share, basic and diluted	0.002	0.001	0.008	0.013

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	
	2006	2005	2006	2005
	$	$	$	$
Cash Flows from Operating Activities				
Net income for the period	19,844	12,529	79,919	130,081
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	59,017	43,939	175,159	130,051
- stock option expense	452	15,605	16,508	54,796
- future income tax expense	11,529	27,831	54,253	92,728
	90,842	99,904	325,839	407,656
Net change in non-cash working capital related to operating activities	(133,835)	58,073	(288,987)	81,814
	(42,993)	157,977	36,852	489,470
Cash Flows from Investing Activities				
Purchase of plant and equipment	(14,998)	(118,940)	(115,287)	(760,940)
Cash Flows from Financing Activities				
Term loan proceeds	-	-	-	465,000
Repayment of term loans	(61,146)	(61,146)	(183,438)	(136,152)
Increase (decrease) in bank indebtedness	153,011	19,836	274,192	(17,580)
	91,865	(41,310)	90,754	311,268
Increase (Decrease) in Cash and Cash Equivalents	33,874	(2,273)	12,319	39,798
Cash and Cash Equivalents - Beginning of Period	41,369	62,937	62,924	20,866
- End of Period	75,243	60,664	75,243	60,664
Interest Paid	22,774	16,953	67,574	44,214

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2006
(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, 2006. 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, 2006.

2. Bank Indebtedness and Term Loans

During the nine months ended December 31, 2006, the company increased its revolving bank loan facility to $1,000,000. As part of its agreement with the bank, the company is required to maintain earnings before interest expense, income tax and depreciation of 1.5 times the current portion of long-term debt plus interest expense, calculated on a rolling four quarter basis, commencing with the four quarters ending March 31, 2007.

3. Share Capital

Stock Options - During the nine months ended December 31, 2006 options to purchase 175,000 shares at $0.30 per share until December 18, 2006 expired without being exercised. Subsequent to December 31, 2006 options to purchase 100,000 shares at $0.15 per share until May 6, 2008 and 75,000 shares at $0.27 per share until July 7, 2009 were forfeited.

The following stock options are outstanding at December 31, 2006.

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
November 30, 2007	75,000	0.9 years	$0.240	46,875	$0.240
December 12, 2007	410,000	0.9 years	$0.120	410,000	$0.120
May 6, 2008	200,000	1.3 years	$0.150	200,000	$0.150
July 7, 2009	635,000	2.5 years	$0.270	635,000	$0.270
	1,320,000	1.8 years	$0.204	1,291,875	$0.203

4. Related Party Transactions

During the nine months ended December 31, 2006, the company incurred $9,430 (2005 - $9,686) in legal fees in the normal course of operations with firms in which a director of the company was a partner. $9,430 of the fees (2005 - $4,181) are included in professional fees and $nil (2005 - $5,505) of the fees are included in plant and equipment. At December 31, 2006, accounts payable and accrued liabilities include $1,875 (March 31, 2006 - $2,272) due to the firms.