WestBond Enterprises Corporation

Quarterly Report
December 31, 2007

Management Discussion and Analysis

dated February 28, 2008, to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2007

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 2007 Annual Report. A pdf version of the 2007 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, 2007 and our consolidated financial statements for the year ended March 31, 2007 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 2007 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 25, 2007, the date of the Management Discussion and Analysis in the 2007 Annual Report, is not repeated here.

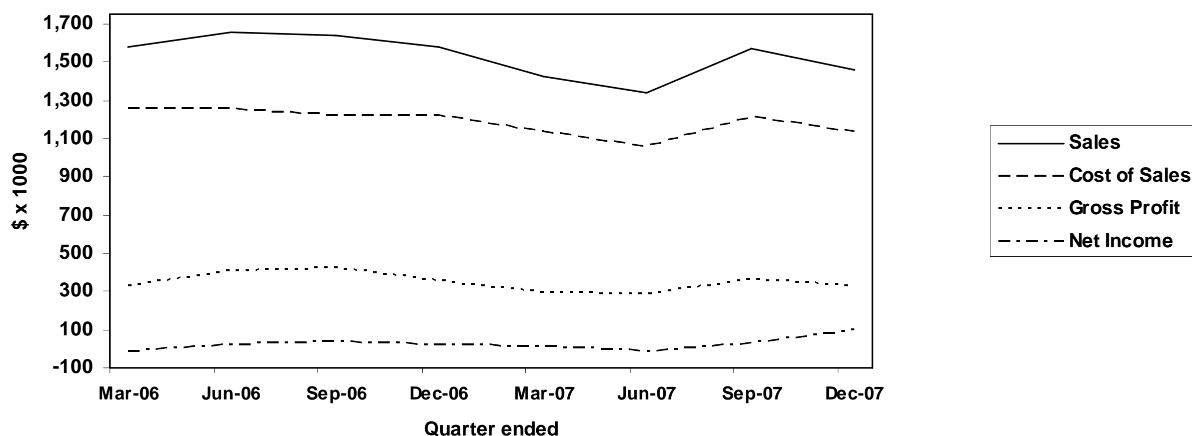
Sales were $1,461,624 for the three months ended December 31, 2007, which is 7.5% less than for the same period last year and 7.1% less than the three months ended September 30, 2007. Net income was $93,628 ($0.008 per share) for the period, compared to net income of $19,844 ($0.002 per share) for the three months ended December 31, 2006. This year's results are more profitable compared to the same period last year, in spite of lower sales, due to the elimination of unprofitable markets and decreased selling and marketing and administrative expenses. Additionally, the reductions in federal income tax rates enacted during December 2007 created a recovery of future income tax provisions that improved net income. The gross profit margin was 22.4% during the three months ended December 31, 2007, compared to 22.6% during the same period last year. The decrease in sales was a direct result of our strategy to concentrate on profitable markets only. Sales to US customers, which were becoming unprofitable as a result of the weak US dollar and cheap products imported from China, were the most affected. Some labour and raw materials issues also contributed to the decrease in sales.

Our sales margins and profitability on a quarter over previous quarter basis show that we have turned the trend towards growth and increased profitability, even though during the quarter ended December 31, 2007 we saw a decrease in the gross margin to 22.4% from 23.1% for the previous quarter. That reduction was caused by lost production over the Christmas holiday season. During the quarter ended September 30, 2007, compared to the quarter ended June 30, 2007, sales increased by 17.5%, our gross margin improved by 2% of sales, to 23.1% and our net earnings improved to 1.8% of sales, compared to a net loss of 1.2%. The graph on the next page shows 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 Canadian generally accepted accounting principles.

	Quarters ended							
Cdn$ x 1,000	**Dec 31 2007**	**Sep 30 2007**	**Jun 30 2007**	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**
Sales	1,462	1,574	1,340	1,426	1,580	1,641	1,656	1,581
Cost of sales	1,135	1,211	1,057	1,135	1,223	1,221	1,250	1,249
Gross profit	327	363	283	291	357	420	406	332
Selling and marketing expenses	125	154	122	161	174	191	183	194
General and administrative expenses	135	175	183	167	152	169	181	178
Net income (loss) before taxes	67	34	(22)	(37)	31	60	42	(40)
Income tax expense (recovery)	(26)	7	(6)	(52)	11	22	20	(25)
Net income (loss)	93	27	(16)	15	20	38	22	(15)
Earnings (loss) per share, basic and diluted - Cdn$	0.008	0.003	(0.002)	0.002	0.002	0.004	0.002	(0.002)
Sales - % change over previous quarter	-7.1	17.5	-6.0	-9.8	-3.7	-0.9	4.7	-1.1
Costs, expenses and net income - % of Sales								
Cost of sales	77.6	76.9	78.9	79.5	77.4	74.4	75.4	79.0
Selling and marketing expenses	8.5	9.8	9.1	11.3	11.0	11.6	11.1	12.3
General and administrative expenses	9.2	11.1	13.7	11.7	9.6	10.3	10.9	11.3
Income tax expense	-1.7	0.4	-0.5	-3.6	0.7	1.4	1.2	-1.6
Net income	6.4	1.8	-1.2	1.1	1.3	2.3	1.4	-1.0



Sales

Sales for the three months ended December 31, 2007 are 7.5% lower than for the same period last year. For the nine month period, sales are 10.3% lower than the last year. The decrease in sales is due to decreased volumes from the personal hygiene and clinical and long-term care product lines. The fluctuations in sales are mainly from volume differences, offset by small price increases. The weak US dollar has also reduced the Canadian dollar value of our sales to the US and caused US priced competitors' product to be cheaper in Canada. Because of this we chose to withdraw from unprofitable, highly volatile markets and concentrate on high margin, lower maintenance customers.

The nine months ended December 30, 2006 include the months with the highest sales in our corporate history, after which we entered a declining trend caused by paper and labour shortages and the reduction in the value of the US dollar. This trend has turned around and we expect to see sales and profitability improve over the next few quarters.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2007 $	2006 $		2007 $	2006 $	
Personal hygiene	514,235	609,717	-15.7%	1,829,071	2,026,077	-9.7%
Clinical and long-term care	908,641	918,062	-1.0%	2,383,098	2,633,537	-9.5%
Other	38,748	52,342	-26.0%	163,295	217,743	-25.0%
	1,461,624	1,580,121	-7.5%	4,375,464	4,877,357	-10.3%

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2007 compared to 2006. Higher materials costs, fixed overhead and depreciation were offset by savings on labour and variable overhead.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2007 % of sales	2006 % of sales	2007 % of sales	2006 % of sales
Materials	51.3%	53.2%	52.6%	51.9%
Labour	9.0%	8.0%	7.8%	7.9%
Variable overhead	6.2%	7.0%	6.7%	7.5%
Fixed overhead	6.8%	5.6%	6.5%	4.9%
Depreciation	4.3%	3.6%	4.2%	3.5%
Gross Margin	22.4%	22.6%	22.2%	24.3%

Our normal operating range for materials has been 48% to 54% and the average for the year ended March 31, 2007 was 52%. 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 have improved over the last few quarters as recently hired employees developed more experience in operating our equipment. We also continue to receive favourable pricing on a portion of our paper purchases. 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 are attempting to increase our labour force to handle the volume of sales orders that we expect. The local labour shortage, however, may mean higher wage rates in future could increase our overall labour costs. The inability to hire production employees can also result in lost sales.

The fluctuation in variable overhead is within normal operating ranges, as a percentage of sales. Depreciation is higher because of new equipment brought into production and fixed overhead is higher because of additional warehouse space rented and from increased rental rates.

In December 2007, we closed our two smaller warehouses and move into one larger one. The production facility remains in place. Total rent in fixed overhead, for both the factory and the new warehouse, has increased by $1,576 per month to $28,820.

Selling Expenses

Selling expenses were lower during 2007 compared to 2006, at 9% of sales, compared to 11% for 2006. The decrease is caused by fewer shipments to and better freight rates to the United States and to lower commissions paid to the California sales agent. The sales agent's compensation structure is now strictly commission and no longer contains any fixed component. Additionally, much of our local freight costs have been eliminated as we now make local deliveries using our own truck.

General and Administrative Expenses

General and administrative expenses were lower in 2007 than in 2006 by $16,904 for the three month periods, and $8,227 for the nine month periods ended December 31. Increased administration and office and professional fees offset decreases in other categories. Administration expense is higher because of increasing the allowance for bad debts, increased bank charges and higher foreign exchange losses. Professional fees are higher because of increasing audit costs. Salaries and employee benefits decreased as a result of lower stock option expense. Interest on long-term debt is lower because the average balance is declining. Interest on other debt is lower because of lower levels of bank indebtedness.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the nine months ended December 31, 2007. We had working capital of $242,160 at December 31, 2007 compared to $125,996 at March 31, 2007. Our operating cash flows were $271,954 during the nine months ended December 31, 2007, an average of $30,217 per month, compared to an average of $29,063 per month during the year ended March 31, 2007, 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 $298,845 at December 31, 2007, compared to $535,599 at March 31, 2007. In order to improve our ratio of cash flows to term loan repayments, we repaid $93,318 of our bank loans in July 2007. Principal repayments are now $13,715 per month. The funds to repay the bank loan were raised by a private placement of 1,060,000 units at $0.095 per unit. Each unit comprises one common share and one warrant to purchase an additional share at $0.125 per share until July 17, 2012. 1,000,000 of the units were purchased by directors of the company.

We have a revolving bank loan facility of $1,000,000, of which $670,577 was used at December 31, 2007. During the last quarter, two of the covenants under the loan facility were eased. 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 (increased from $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 1.25 times (reduced from 1.5 times) the current portion of long-term debt plus interest expense.

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.

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.

New Accounting Policy

The effect of the new accounting policies for financial instruments and comprehensive income adopted by the Canadian Institute of Chartered Accountants, effective for our current fiscal year, is described in note 2 to the interim consolidated financial statements for the periods ended December 31, 2007.

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 and has issued warrants to purchase common shares.

	February 28, 2008
Authorized common shares without par value	Unlimited
Issued common shares	11,063,800
Shares issuable on exercise of outstanding warrants	1,060,000
Shares issuable on exercise of outstanding stock options	660,000
Shares available for future stock option grants	1,340,000

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, 2007

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2007 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

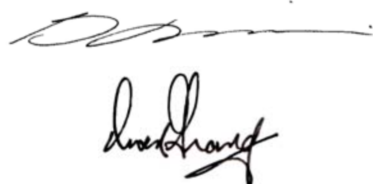
(Unaudited - See Notice to Reader)

(Canadian Dollars)

	December 31 2007	March 31 2007
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	4,933	33,675
Accounts receivable	750,112	954,201
Inventory	806,536	746,138
Prepaid expenses	53,395	39,303
	1,614,976	1,773,317
PLANT AND EQUIPMENT	2,872,879	2,915,195
	4,487,855	4,688,512
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness (note 3)	670,577	730,000
Accounts payable and accrued liabilities	561,035	639,422
Current portion of term loans (note 3)	141,204	277,899
	1,372,816	1,647,321
TERM LOANS (note 3)	157,641	257,700
FUTURE INCOME TAX LIABILITIES	361,850	387,111
	1,892,307	2,292,132
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (note 4)		
Common shares issued	2,099,703	2,038,836
Warrants	32,364	-
Stock options	219,390	218,938
RETAINED EARNINGS	244,091	138,606
	2,595,548	2,396,380
	4,487,855	4,688,512

Commitments (note 6)

APPROVED BY THE BOARD OF DIRECTORS:



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

Consolidated Statements of Operations and Retained Earnings

(Unaudited - See Notice to Reader)

(Canadian Dollars)

	Three months ended December 31		Nine months ended December 31	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Sales	1,461,624	1,580,121	4,375,464	4,877,357
Cost of Sales				
Materials	749,374	840,654	2,303,402	2,532,890
Labour	131,251	125,905	340,536	386,063
Variable overhead	90,851	109,652	291,348	367,067
Fixed overhead	100,140	89,637	282,162	238,141
Depreciation and amortization	62,939	57,435	185,110	169,383
	1,134,555	1,223,283	3,402,558	3,693,544
Gross Profit	327,069	356,838	972,906	1,183,813
Expenses				
Selling and marketing				
Shipping	93,253	114,438	279,813	374,024
Salaries, commissions and employee benefits	28,967	49,713	105,478	147,942
Other	2,339	9,643	14,302	26,359
	124,559	173,794	399,593	548,325
General and administrative				
Administration and office	24,848	19,065	110,760	75,764
Corporate promotion	576	8,108	12,548	31,072
Interest on term loans	5,576	10,672	20,667	34,593
Interest on other debt	9,932	12,420	29,635	33,288
Professional fees	6,934	6,759	36,193	25,718
Salaries and employee benefits	86,901	94,647	283,286	300,881
	134,767	151,671	493,089	501,316
Income for the Period before Taxes	67,743	31,373	80,224	134,172
(Recovery of) Provision for Future Income Taxes	(25,885)	11,529	(25,261)	54,253
Net Income and Comprehensive Income for the Period	93,628	19,844	105,485	79,919
Retained Earnings				
- Beginning of Period	150,463	103,397	138,606	43,322
- End of Period	244,091	123,241	244,091	123,241
Earnings per Share, basic and diluted	0.008	0.002	0.010	0.008

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	
	2007	2006	2007	2006
	$	$	$	$
Cash Flows from Operating Activities				
Net income for the period	93,628	19,844	105,485	79,919
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	65,023	59,017	191,278	175,159
- stock option expense	-	452	452	16,508
- future income tax (recovery) expense	(25,885)	11,529	(25,261)	54,253
	132,766	90,842	271,954	325,839
Net change in non-cash working capital related to operating activities	(224,875)	(133,835)	51,212	(288,987)
	(92,109)	(42,993)	323,166	36,852
Cash Flows from Investing Activities				
Purchase of plant and equipment	(42,269)	(14,998)	(148,962)	(115,287)
Cash Flows from Financing Activities				
Issuance of shares and warrants for cash	-	-	100,700	-
Share issuance cost	-	-	(7,469)	-
Repayment of term loans	(41,145)	(61,146)	(236,754)	(183,438)
Increase (decrease) in bank indebtedness	128,130	153,011	(59,423)	274,192
	86,985	91,865	(202,946)	90,754
Increase (Decrease) in Cash and Cash Equivalents	(47,393)	33,874	(28,742)	12,319
Cash and Cash Equivalents - Beginning of Period	52,326	41,369	33,675	62,924
- End of Period	4,933	75,243	4,933	75,243
Interest Paid	15,212	22,774	50,915	67,574

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2007
(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. Except as disclosed below in note 2, 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, 2007. 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, 2007.

2. Adoption of New Accounting Policies

New accounting policies for financial instruments and comprehensive income apply to the company effective April 1, 2007, the beginning of the current fiscal year. The new accounting policies require certain financial instruments to be stated at fair value on the balance sheet and unrealized gains and losses arising from those financial instruments not to be reflected in net income but rather in "other comprehensive income" which, combined with net income, equals "comprehensive income". Certain other gains and losses are also to be included in other comprehensive income.

The adoption of these new accounting policies has no effect on the balance sheets, net income or comprehensive income of the company for the current or prior periods; however, certain additional disclosures on financial instruments are required. In addition to credit risk (see note 4 to the consolidated financial statements for the year ended March 31, 2007), the company's financial instruments are also subject to interest rate cash flow risk and to currency risk.

The company's bank indebtedness and term loans are at interest rates that fluctuate with market interest rates. At the levels of indebtedness at December 31, 2007, a 1% increase in the annual rate of interest would cause interest expense to increase and operating cash flows to decrease by $9,694 per year.

Portions of the company's cash, accounts receivable and accounts payable are denominated in US dollars; accordingly, the company is exposed to fluctuations in the US/Cdn dollar exchange rates. While the amounts of exposure change on a daily basis, the company generally has more US dollar financial assets than US dollar liabilities. Over the past year, the exposure ranged from US$8,000 to US$227,000 and averaged approximately US$82,000 (calculated on a quarterly basis). Each change of 1% (e.g., a change from US$1.00 = Cdn$1.02 to Cdn$1.03) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn$1,000 on an exposure of US$100,000. During the nine months ended December 31, 2007, the company realized foreign exchange losses of $13,171 (2006 - $3,325 gain). The US dollar financial assets generally result from sales to US customers. The US dollar financial liabilities generally result from purchases of raw materials from US suppliers. As the company's US dollar purchases generally exceed US dollar sales, the financial instrument currency risk is generally offset by an opposing change in the company's gross profit.

3. Bank Indebtedness and Term Loans

As part of its agreement with the bank, the company was 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. The company did not comply with this covenant for the four quarters ended June 30, 2007; however, subsequent to June 30, 2007, the company and the bank amended the agreement such that the bank agreed to waive this non-compliance at June 30, 2007, provided the loan maturing on August 22, 2008 was repaid in full. During the nine months ended December 31, 2007 the loan maturing on August 22, 2008 was repaid in full and the agreement with the bank was amended to provide that the company is now only required to maintain earnings before interest expense, income tax and depreciation of 1.25 times the current portion of long-term debt plus interest expense, calculated on a rolling four quarter basis, and the limit on loans outstanding on the revolving bank loan facility against inventory was increased to 50% of inventory not in excess of $700,000.

4. Share Capital

Authorized – The Company is authorized to issue an unlimited number of common shares without par value.

Issued	Common Shares		Warrants to Purchase Common Shares	
	Number	Ascribed value $	Number	Ascribed value $
Outstanding at March 31, 2007	10,003,800	2,038,836	-	-
Issued for cash, net of issue costs of $7,469	1,060,000	60,867	1,060,000	32,364
Outstanding at December 31, 2007	11,063,800	2,099,703	1,060,000	32,364

Each warrant entitles the holder to purchase one common share at $0.125 per share until July 17, 2012. The fair value ascribed to the warrants was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 4.66%, a dividend yield of 0%, expected warrant life of 5 years and a volatility of 47%.

Stock Options - The following stock options are outstanding at December 31, 2007.

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
May 6, 2008	100,000	0.3 years	$0.150	100,000	$0.150
July 7, 2009	560,000	1.5 years	$0.270	560,000	$0.270
	660,000	1.3 years	$0.252	660,000	$0.252

During the nine months ended September 30, 2007 options to purchase 75,000 shares at $0.24 per share until November 30, 2007 were forfeited and options to purchase 410,000 shares at $0.12 per share until December 12, 2007 expired unexercised.

5. Related Party Transactions

During the nine months ended December 31, 2007, the company incurred $10,813 (2006 – $9,430) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. $4,575 (2006 – $9,430) of the fees are included in professional fees and $6,238 (2006 – $nil) are included in share issuance costs. The fees are at rates comparable to those charged to un-related parties.

6. Lease Commitments

Future minimum payments under operating leases for premises are:

	$
Three months ending March 31, 2008	64,491
Year ending March 31, 2009	257,963
2010	146,028
2011	72,478