WestBond Enterprises Corporation

Quarterly Report
December 31, 2008

Management Discussion and Analysis

dated February 26, 2009, to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2008

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 2008 Annual Report. A pdf version of the 2008 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, 2008 and our consolidated financial statements for the year ended March 31, 2008 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 2008 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2008, the date of the Management Discussion and Analysis in the 2008 Annual Report, is not repeated here.

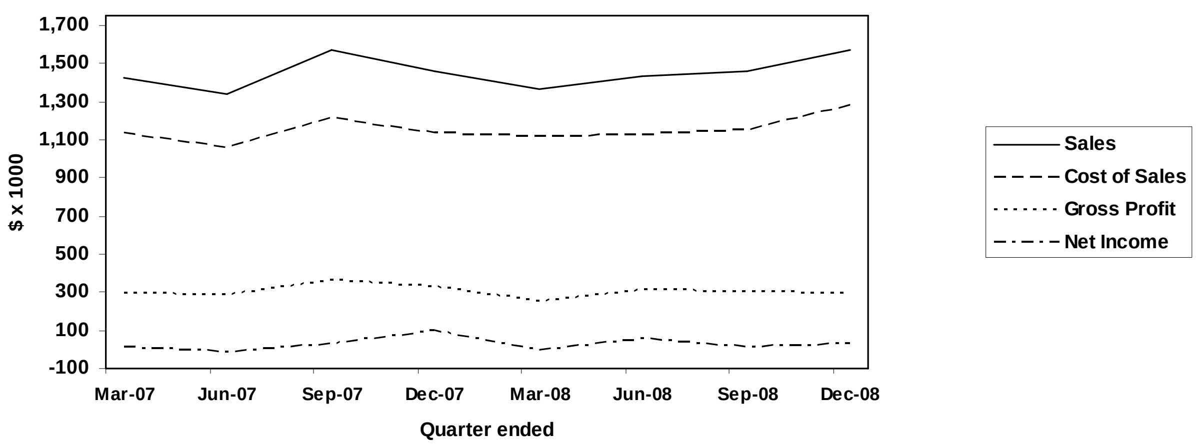
Sales were $1,572,222 for the three months ended December 31, 2008, which is 7.6% higher than for the same period last year and 8.1% more than the three months ended September 30, 2008. Net income was $26,472 ($0.002 per share) for the period, compared to $93,628 ($0.008 per share) for the three months ended December 31, 2007. This year's results are less profitable than the same period last year due to lower gross margin ratios and a significant future income tax recovery in 2007 from a reduction in tax rates.

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 2008**	**Sep 30 2008**	**Jun 30 2008**	**Mar 31 2008**	**Dec 31 2007**	**Sep 30 2007**	**Jun 30 2007**	**Mar 31 2007**
Sales	1,572	1,455	1,434	1,364	1,462	1,574	1,340	1,426
Cost of sales	1,278	1,153	1,124	1,113	1,135	1,211	1,057	1,135
Gross profit	294	302	310	251	327	363	283	291
Selling and marketing expenses	120	129	118	119	125	154	122	161
General and administrative expenses	135	159	141	144	135	175	183	167
Net income (loss) before taxes	39	14	51	(12)	67	34	(22)	(37)
Income tax expense (recovery)	12	6	(1)	(2)	(26)	7	(6)	(52)
Net income (loss)	27	8	52	(10)	93	27	(16)	15
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.001	0.005	(0.001)	0.008	0.003	(0.002)	0.002
Sales - % change over previous quarter	8.1	1.5	5.1	-6.7	-7.1	17.5	-6.0	-9.8
Costs, expenses and net income - % of Sales								
Cost of sales	81.3	79.3	78.4	81.5	77.6	76.9	78.9	79.5
Selling and marketing expenses	7.6	8.9	8.2	8.7	8.5	9.8	9.1	11.3
General and administrative expenses	8.6	10.9	9.9	10.6	9.2	11.1	13.7	11.7
Income tax expense	0.8	0.4	-0.1	-0.1	-1.7	0.4	-0.5	-3.6
Net income	1.7	0.5	3.6	-0.7	6.4	1.8	-1.2	1.1



Sales

Sales for the three months ended December 31, 2008 are 7.6% higher than for the same period last year. Sales for the nine month period were 2.0% higher in 2008 than 2007. The fluctuations in sales are mainly from volume differences, combined with small price increases. The increase in sales is due to the higher US dollar, which has increased the Canadian dollar value of our sales to the US and has caused US priced competitors' product to be more expensive in Canada.

	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2008 $	2007 $	$	2008 $	2007 $	
Personal hygiene	638,750	514,235	+24.2%	1,869,844	1,829,071	+2.2%
Clinical and long-term care	877,592	908,641	-3.4%	2,474,622	2,383,098	+3.8%
Other	55,880	38,748	+44.2%	116,338	163,295	-28.8%
	1,572,222	1,461,624	+7.6%	4,460,804	4,375,464	+2.0%

Cost of Sales

Total cost of sales, as a percentage of sales, increased in 2008 compared to 2007. Higher materials and labour costs were offset by savings on variable overhead.

	Three months ended December 31		Nine months ended December 31	
	2008 % of sales	2007 % of sales	2008 % of sales	2007 % of sales
Materials	55.1%	51.3%	54.5%	52.6%
Labour	9.1%	9.0%	8.1%	7.8%
Variable overhead	7.1%	6.2%	6.4%	6.7%
Fixed overhead	5.8%	6.8%	6.3%	6.5%
Depreciation	4.2%	4.3%	4.4%	4.2%
Total Cost of Sales	81.3%	77.6%	79.7%	77.8%

Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2008 was 53%. 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 product mix. The paper yield factors have improved over the last few quarters as recently hired employees developed more experience in operating our equipment. The favourable pricing that were receiving on a portion of our paper purchases is starting to disappear as more paper mills reduce production. The stronger US dollar during the period also contributed to higher 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. However, we have experienced wage rate increases of approximately 5% over the previous year in order to attract and retain good employees. We are attempting to increase our labour force to handle the volume of sales orders that we expect. The local labour shortage appears to be abating as the economy slows down. The inability to hire production employees can also result in lost sales.

The fluctuation in overhead is within normal operating ranges, as a percentage of sales. We have renewed the lease on our factory space, which was set to expire in June 2009, for five more years at a moderate increase in rent.

Selling Expenses

Selling expenses were lower during 2008 compared to 2007, at 8.2% of sales, compared to 9.1% for 2007. The decrease is caused by fewer shipments to and better freight rates to the United States and to lower product development costs.

General and Administrative Expenses

General and administrative expenses were lower in 2008 than in 2007 by $57,643. Increased professional fees offset decreases in other categories. Administration expense is lower because of foreign exchange gains and losses ($13,171 loss in 2007 versus a gain of $21,513 in 2008) and bad debts ($13,000) written off in 2007. Corporate promotion is decreased because we discontinued much of the activities. Professional fees are higher because of increasing audit costs. Salaries and employee benefits decreased due to a temporary reduction in staffing levels. 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.

During the nine months ended December 31, 2008 professional fees include $9,519 paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, one of our directors, is a partner. The payments represent fees for legal services provided to the Company at rates normally charged to arm's length parties.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the nine months ended December 31, 2008. We had working capital of $412,459 at December 31, 2008 compared to $241,214 at March 31, 2008. Our operating cash flows were $317,175 during the nine months ended December 31, 2008, an average of $35,242 per month, compared to an average of $27,428 per month during the year ended March 31, 2008, 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 $157,641 at December 31, 2008, compared to $257,700 at March 31, 2008. Principal repayments are now $7,881 per month.

We have a revolving bank loan facility of $1,000,000, of which $596,614 was used at December 31, 2008. 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 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 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.

Our operations and liquidity have not been affected yet by the current US credit crisis and economic down turn. This economic volatility may have an adverse affect on future operations. We continue to monitor the affects on our customers, particularily in the United States.

New Accounting Policies

New accounting policies that are effective for our current fiscal year are described in note 2 to the interim consolidated financial statements and in note 2 to the financial statements for the year ended March 31, 2008.

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 26, 2009
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	1,360,000
Shares available for future stock option grants	640,000

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, 2008

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2008 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 2008	March 31 2008
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	121,561	43,658
Accounts receivable	806,404	702,035
Inventory	835,458	725,697
Prepaid expenses	44,851	43,306
	1,808,274	1,514,696
PLANT AND EQUIPMENT	2,716,637	2,842,813
	4,524,911	4,357,509
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	596,614	580,000
Accounts payable and accrued liabilities	704,629	569,780
Current portion of term loans	94,572	123,702
	1,395,815	1,273,482
TERM LOANS	63,069	133,998
FUTURE INCOME TAX LIABILITIES	377,474	360,191
	1,836,358	1,767,671
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL		
Authorized - unlimited common shares without par value		
Issued and outstanding - 11,063,800 shares	2,099,703	2,099,703
Warrants	32,364	32,364
STOCK OPTIONS	236,950	223,780
RETAINED EARNINGS	319,536	233,991
	2,688,553	2,589,838
	4,524,911	4,357,509

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, Comprehensive Income and Retained Earnings

(Unaudited - See Notice to Reader)

(Canadian Dollars)

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
	$	$	$	$
Sales	1,572,222	1,461,624	4,460,804	4,375,464
Cost of Sales				
Materials	866,987	749,374	2,429,684	2,303,402
Labour	142,918	131,251	360,822	340,536
Variable overhead	110,938	90,851	286,802	291,348
Fixed overhead	91,720	100,140	283,760	282,162
Depreciation	65,802	62,939	194,740	185,110
	1,278,365	1,134,555	3,555,808	3,402,558
Gross Profit	293,857	327,069	904,996	972,906
Expenses				
Selling and marketing				
Shipping	85,868	93,253	267,781	279,813
Salaries, commissions and employee benefits	30,702	28,967	87,231	105,478
Other	3,556	2,339	11,710	14,302
	120,126	124,559	366,722	399,593
General and administrative				
Administration and office	11,309	24,848	65,743	110,760
Corporate promotion	1,939	576	3,969	12,548
Interest on term loans	2,015	5,576	8,052	20,667
Interest on other debt	5,914	9,932	20,578	29,635
Professional fees	13,747	6,934	54,250	36,193
Salaries and employee benefits	100,501	86,901	282,854	283,286
	135,425	134,767	435,446	493,089
Income for the Period before Taxes	38,306	67,743	102,828	80,224
Future Income Tax Expense (Recovery)	11,834	(25,885)	17,283	(25,261)
Net Income and Comprehensive Income for the Period	26,472	93,628	85,545	105,485
Retained Earnings				
- Beginning of Period	293,064	150,463	233,991	138,606
- End of Period	319,536	244,091	319,536	244,091
Earnings per Share, basic and diluted	0.002	0.008	0.008	0.010

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	
	2008	2007	2008	2007
	$	$	$	$
Cash Flows from Operating Activities				
Net income for the period	26,472	93,628	85,545	105,485
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	67,955	65,023	201,177	191,278
- stock option expense	4,390	-	13,170	452
- future income tax expense (recovery)	11,834	(25,885)	17,283	(25,261)
	110,651	132,766	317,175	271,954
Net change in non-cash working capital related to operating activities	(75,640)	(224,875)	(63,009)	51,212
	35,011	(92,109)	254,166	323,166
Cash Flows from Investing Activities				
Purchase of plant and equipment	(19,351)	(42,269)	(92,818)	(148,962)
Cash Flows from Financing Activities				
Issuance of shares and warrants for cash	-	-	-	100,700
Share issuance cost	-	-	-	(7,469)
Repayment of term loans	(23,643)	(41,145)	(100,059)	(236,754)
Increase (decrease) in bank indebtedness	40,021	128,130	16,614	(59,423)
	16,378	86,985	(83,445)	(202,946)
(Decrease) Increase in Cash and Cash Equivalents	32,038	(47,393)	77,903	(28,742)
Cash and Cash Equivalents				
- Beginning of Period	89,523	52,326	43,658	33,675
- End of Period	121,561	4,933	121,561	4,933
Interest Paid	8,220	15,212	30,063	50,915
Non-Cash Investing Activities				
Decrease in accounts payable related to purchase of plant and equipment	(1,061)	-	(17,817)	-

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2008
(Unaudited – See Notice to Reader)

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, 2008. 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, 2008.

2. Adoption of New Accounting Policies

Effective April 1, 2008, the company adopted the new accounting policies in CICA Sections: 1535, *Capital Disclosures;* 3863, *Financial Instruments – Disclosure and Presentation;* and 3031, *Inventories.* The new policies are summarized in note 2 to the consolidated financial statements of the company for the year ended March 31, 2008. Other than the disclosure of the additional information shown below, there has been no impact from the adoption of these policies on the company's consolidated financial statements.

Inventories – Raw materials inventory costs include all costs incurred to bring the materials to their current state and location, including the purchase price, duties, non-refundable taxes and freight. Finished goods inventory includes, in addition to the cost of the raw materials incorporated into their manufacture, the costs of labour incurred directly in their manufacture and an allocation of indirect variable overhead, fixed overhead and depreciation on plant and equipment. The overhead allocation is based on the pro-portionate costs of the direct materials and labour costs included in finished goods inventory to the total materials and labour costs incurred during the period.

Capital Disclosures – The company's objectives when managing capital are: to safeguard the ability of the company to continue as a going concern; to permit the company to continue expanding its operations, to the extent compatible and economically viable expansion opportunities are available; and to maximize shareholder returns. The company employs policies and processes for managing capital: to ensure that the covenants and terms under its bank indebtedness and term loans are complied with; to ensure that adequate prices are received for the company's production to maximize operating cash flows; and to maximize shareholder returns.

3. Share Capital

Stock Options - During the nine months ended December 31, 2008, options to purchase 100,000 shares at $0.15 per share until May 6, 2008 expired unexercised. The following stock options are outstanding at December 31, 2008.

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
July 7, 2009	560,000	0.5 years	$0.270	560,000	$0.270
March 12, 2013	800,000	4.2 years	$0.100	400,000	$0.100
	1,360,000	2.7 years	$0.170	960,000	$0.199

4. Related Party Transactions

During the nine months ended December 31, 2008, the company incurred $9,519 (2007 – $10,813) in legal fees in the normal course of operations with a firm in which a director of the company is a partner. $9,519 (2007 – $4,575) of the fees are included in professional fees and $nil (2007 – $6,238) are included in share issuance costs. The fees are at rates comparable to those charged to un-related parties.

5. Lease Commitments

During the nine months ended December 31, 2008, the company extended one of its operating lease agreements for premises from June 2009 until June 2014. Future minimum lease payments are as follows:

Lease expiry	**June 30 2014 $**	**November 30 2010 $**	**Total $**
Three months ending March 31, 2009	37,312	27,179	64,491
Year ending March 31, 2010	161,684	108,716	270,401
2011	165,830	72,478	238,308
2012	165,830	-	165,830
2013	170,272	-	170,272
2014	171,752	-	171,752
2014	42,938	-	42,938