WestBond Enterprises Corporation

Quarterly Report
December 31, 2009

Management Discussion and Analysis

dated February 23, 2010 to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2009

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 2009 Annual Report. A pdf version of the 2009 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, 2009 and our consolidated financial statements for the year ended March 31, 2009 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 2009 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 8, 2009, the date of the Management Discussion and Analysis in the 2009 Annual Report, is not repeated here.

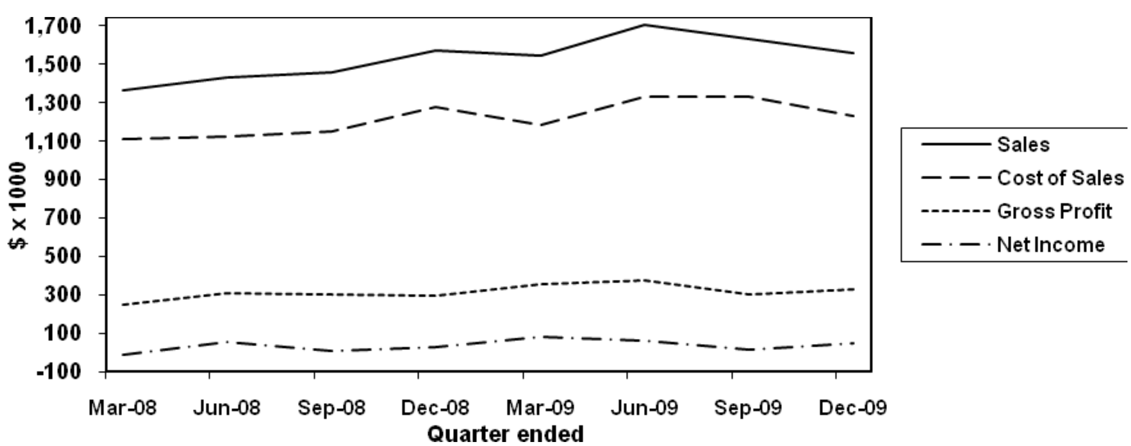
Sales were $1,559,140 for the three months ended December 31, 2009, which is 1% less than for the three months ended December 31, 2008 and 4% less than the three months ended September 30, 2009. Net income increased by 72% to $45,531 ($0.004 per share) for the period, compared to $26,474 ($0.002 per share) for the three months ended December 31, 2008. Net income for the nine month periods increased to $125,968 in 2009 from $85,547 in 2008, an increase of 47%. This year's results are more profitable than the same periods last year because of improvements in gross margins.

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 2009**	**Sep 30 2009**	**Jun 30 2009**	**Mar 31 2009**	**Dec 31 2008**	**Sep 30 2008**	**Jun 30 2008**	**Mar 31 2008**
Sales	1,559	1,632	1,706	1,543	1,572	1,455	1,434	1,364
Cost of sales	1,231	1,329	1,330	1,188	1,278	1,153	1,124	1,113
Gross profit	328	303	376	355	294	302	310	251
Selling and marketing expenses	127	117	133	120	120	129	118	119
General and administrative expenses	137	159	157	148	135	159	141	144
Net income (loss) before taxes	64	27	86	87	39	14	51	(12)
Income tax expense (recovery)	18	10	23	9	12	6	(1)	(2)
Net income (loss)	46	17	63	78	27	8	52	(10)
Earnings (loss) per share, basic and diluted - Cdn$	0.004	0.002	0.006	0.007	0.002	0.001	0.005	(0.001)
Sales - % change over previous quarter	-4.5	-4.4	10.6	-1.8	8.1	1.5	5.1	-6.7
Costs, expenses and net income - % of Sales								
Cost of sales	78.9	81.4	78.0	77.0	81.3	79.3	78.4	81.5
Selling and marketing expenses	8.2	7.1	7.8	7.8	7.6	8.9	8.2	8.7
General and administrative expenses	8.8	9.8	9.2	9.6	8.6	10.9	9.9	10.6
Income tax expense	1.2	0.6	1.3	0.6	0.8	0.4	-0.1	-0.1
Net income	2.9	1.1	3.7	5.0	1.7	0.5	3.6	-0.7



Sales

Sales for the three months ended December 31, 2009 are 0.8% lower than for the same period last year. Sales for the nine month period are 9.8% higher than last year. The increase in sales is due to increased volumes from the personal hygiene and clinical and long-term care product lines. The fluctuations in sales are from volume differences.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
	2009	2008		2009	2008	
Product Line	$	$		$	$	
Personal hygiene	617,315	638,750	-3.4%	2,235,745	1,869,844	19.6%
Clinical and long-term care	902,936	877,592	2.9%	2,573,438	2,474,622	4.0%
Other	38,889	55,880	-30.4%	88,604	116,338	-23.8%
	1,559,140	1,572,222	-0.8%	4,897,787	4,460,804	9.8%

Cost of Sales

Total cost of sales, as a percentage of sales, was better in 2009 compared to 2008. Lower materials costs were partially offset by higher labour costs.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
	% of sales	% of sales	% of sales	% of sales
Materials	52.8%	55.1%	54.8%	54.5%
Labour	9.3%	9.1%	8.7%	8.1%
Variable overhead	6.5%	7.1%	6.2%	6.4%
Fixed overhead	6.3%	5.8%	5.8%	6.3%
Depreciation	4.0%	4.2%	3.9%	4.4%
Gross Margin	21.1%	18.7%	20.6%	20.3%

Our normal operating range for materials has been 51% to 54% and the average for the year ended March 31, 2009 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 product mix. The decrease in this materials cost to sales ratio for the 2009 periods is mainly due to favourable pricing.

The labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. Labour costs are usually higher in December because of statutory holiday pay and less efficient production during the flu and holiday seasons. We have also increased our wage rates in order to retain the more efficient employees and to attract good machine operators. The inability to hire or retain production employees can result in lost sales.

The decrease in overhead as a percentage of sales for the nine month period is due to the increased sales. Variable overhead is higher in 2009 because of increased warehouse and supervisory wages, maintenance, waste disposal costs and utilities costs.

Selling Expenses

Selling expenses were lower during 2009, at 7.7% of sales, compared to 8.2% for 2008. The decrease is caused by better freight rates, larger shipments and a greater proportion of customers closer to us.

General and Administrative Expenses

General and administrative expenses were higher in 2009 than in 2008 by $18,014. Administration and office expense is higher because of foreign exchange losses of $29,110 realized in 2009, compared to a gain of $21,513 in 2008. Professional fees are lower because 2008 includes an unexpected increase in audit costs for the previous year as well as the estimated costs for the current year. Interest is lower because of lower levels of bank indebtedness and long-term debt and lower interest rates.

During the nine months ended December 31, 2009 professional fees include $16,420 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, 2009. We had working capital of $792,275 at December 31, 2009 compared to $520,579 at March 31, 2009. Our operating cash flows were $389,728 during the nine months ended December 31, 2009, an average of $43,303 per month, compared to an average of $39,755 per month during the year ended March 31, 2009, 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 $63,069 at December 31, 2009, compared to $133,998 at March 31, 2009. Principal repayments are $7,881 per month.

We have a revolving bank loan facility of $1,000,000, of which $500,000 was used at December 31, 2009. 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.

New Accounting Policies

There are no new accounting policies that are effective for our current fiscal year that are expected to have a material affect on our consolidated financial statements. International Financial Reporting Standards will apply to our consolidated financial statements commencing with the year ending March 31, 2012. We have not yet determined the impact on our financial statements.

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 23, 2010
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	800,000
Shares available for future stock option grants	1,200,000

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 2012, subject to further renewal. 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
(Unaudited – See Notice to Reader)

December 31, 2009

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WestBond Enterprises Corporation

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2009 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 2009	March 31 2009
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	90,465	151,259
Accounts receivable	736,433	845,318
Inventory	948,675	830,080
Prepaid expenses	46,858	42,406
	1,822,431	1,869,063
PLANT AND EQUIPMENT	2,555,125	2,675,836
	4,377,556	4,544,899
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	500,000	585,000
Accounts payable and accrued liabilities	467,087	668,915
Current portion of term loans	63,069	94,572
	1,030,156	1,348,487
TERM LOANS	-	39,426
FUTURE INCOME TAX LIABILITIES	437,256	385,980
	1,467,412	1,773,893
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	254,510	241,340
RETAINED EARNINGS	523,567	397,599
	2,910,144	2,771,006
	4,377,556	4,544,899

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	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Sales	1,559,140	1,572,222	4,897,787	4,460,804
Cost of Sales				
Materials	822,418	866,987	2,682,160	2,429,684
Labour	144,435	142,918	427,269	360,822
Variable overhead	101,692	110,938	304,163	286,802
Fixed overhead	98,967	91,720	283,744	283,760
Depreciation	63,167	65,802	193,114	194,740
	1,230,679	1,278,365	3,890,450	3,555,808
Gross Profit	328,461	293,857	1,007,337	904,996
Expenses				
Selling and marketing				
Shipping	93,991	85,868	270,270	267,781
Salaries, commissions and employee benefits	28,245	30,702	92,061	87,231
Other	5,218	3,556	14,304	11,710
	127,454	120,126	376,635	366,722
General and administrative				
Administration and office	32,637	11,309	110,788	65,743
Corporate promotion	1,042	1,939	3,818	3,969
Interest on term loans	566	2,015	2,234	8,052
Interest on other debt	4,288	5,914	11,457	20,578
Professional fees	10,737	13,747	44,938	54,250
Salaries and employee benefits	88,013	100,501	280,223	282,854
	137,283	135,425	453,458	435,446
Income for the Period before Taxes	63,724	38,306	177,244	102,828
Future Income Tax Expense	18,193	11,834	51,276	17,283
Net Income and Comprehensive Income for the Period	45,531	26,472	125,968	85,545
Retained Earnings				
- Beginning of Period	478,036	293,064	397,599	233,991
- End of Period	523,567	319,536	523,567	319,536
Earnings per Share, basic and diluted	0.004	0.002	0.011	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	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash Flows from Operating Activities				
Net income for the period	45,531	26,472	125,968	85,545
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	65,104	67,955	199,314	201,177
- stock option expense	4,390	4,390	13,170	13,170
- future income tax expense	18,193	11,834	51,276	17,283
	133,218	110,651	389,728	317,175
Net change in non-cash working capital related to operating activities	(378,160)	(75,640)	(204,417)	(63,009)
	(244,942)	35,011	185,311	254,166
Cash Flows from Investing Activities				
Purchase of plant and equipment	(32,241)	(19,351)	(90,176)	(92,818)
Cash Flows from Financing Activities				
Repayment of term loans	(23,643)	(23,643)	(70,929)	(100,059)
(Decrease) increase in bank indebtedness	140,000	40,021	(85,000)	16,614
	116,357	16,378	(155,929)	(83,445)
Increase in Cash and Cash Equivalents	(160,826)	32,038	(60,794)	77,903
Cash and Cash Equivalents - Beginning of Period	251,291	89,523	151,259	43,658
- End of Period	90,465	121,561	90,465	121,561
Interest Paid	4,743	8,220	13,908	30,063
Non-Cash Investing Activities				
Increase (decrease)in accounts payable related to purchase of plant and equipment	(4,579)	(1,061)	(11,573)	(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, 2009
(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. 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, 2009. 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, 2009.

2. Share Capital

Stock Options - The following stock options are outstanding at December 31, 2009.

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
March 12, 2013	800,000	3.2 years	$0.100	800,000	$0.100

During the nine months ended December 31, 2009 options to purchase 560,000 common shares at $0.27 per share expired without being exercised.

3. Related Party Transactions

During the nine months ended December 31, 2009, the company incurred $16,420 (2008 – $9,519) 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 and are at rates comparable to those charged to un-related parties.