WestBond Enterprises Corporation

Quarterly Report
December 31, 2010

Management Discussion and Analysis

dated February 24, 2011 to accompany the interim consolidated financial statements for the three and nine month periods ended December 31, 2010

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 2010 Annual Report. A pdf version of the 2010 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, 2010 and our consolidated financial statements for the year ended March 31, 2010 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 2010 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 19, 2010, the date of the Management Discussion and Analysis in the 2010 Annual Report, is not repeated here.

Sales were $1,506,989 for the three months ended December 31, 2010, which is 6% lower than for the three months ended September 30, 2010 and 3% less than for the three months ended December 31, 2009. We incurred a net loss of $133 during the three months ended December 31, 2010, compared to net income of $45,531 ($0.004 per share) for the three months ended December 31, 2009. This year's results are poorer than the same periods last year because of competition from US dollar based products.

The graph on the next page shows the trends over the past eight quarters.

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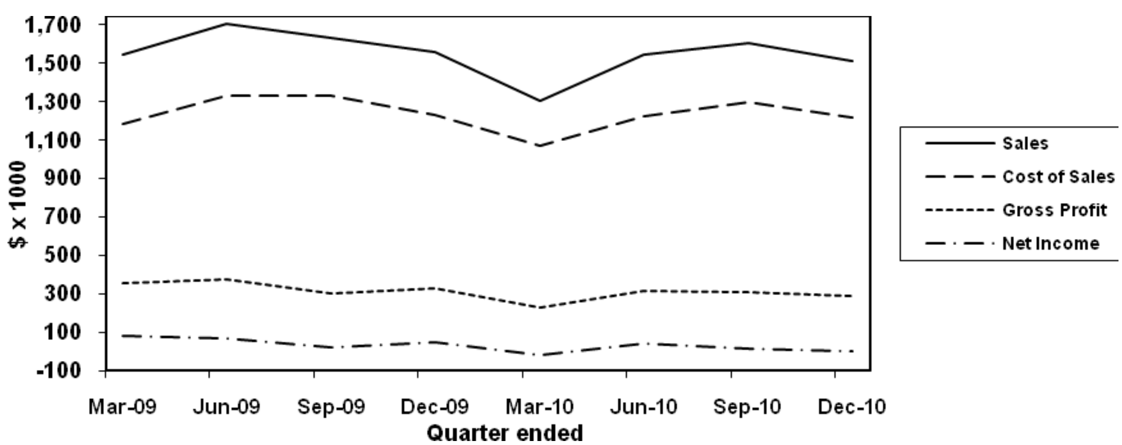
Summary of Quarterly Results

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 2010**	**Sep 30 2010**	**Jun 30 2010**	**Mar 31 2010**	**Dec 31 2009**	**Sep 30 2009**	**Jun 30 2009**	**Mar 31 2009**
Sales	1,507	1,604	1,542	1,301	1,559	1,632	1,706	1,543
Cost of sales	1,221	1,299	1,227	1,072	1,231	1,329	1,330	1,188
Gross profit	286	305	315	229	328	303	376	355
Selling and marketing expenses	129	141	139	117	127	117	133	120
General and administrative expenses	156	149	124	140	137	159	157	148
Net income (loss) before taxes	1	15	52	(28)	64	27	86	87
Income tax expense (recovery)	1	4	12	(6)	18	10	23	9
Net income (loss)	0	11	40	(22)	46	17	63	78
Earnings (loss) per share, basic and diluted - Cdn$	0.000	0.001	0.004	(0.002)	0.004	0.002	0.006	0.007
Sales - % change over previous quarter	-6.1	4.1	18.5	-16.5	-4.5	-4.4	10.6	-1.8
Costs, expenses and net income - % of Sales								
Cost of sales	81.0	80.9	79.6	82.4	78.9	81.4	78.0	77.0
Selling and marketing expenses	8.6	8.8	9.0	9.0	8.2	7.1	7.8	7.8
General and administrative expenses	10.3	9.3	8.0	10.8	8.8	9.8	9.2	9.6
Income tax expense	0.1	0.3	0.8	-0.5	1.2	0.6	1.3	0.6
Net income	0.0	0.7	2.6	-1.7	2.9	1.1	3.7	5.0



Sales

Sales for the three months ended December 31, 2010 are 3.3% lower than for the same period last year and 6.1% lower than the previous quarter, ended September 30, 2010. The June 2009 quarter showed record high sales for WestBond but competition from the US, empowered by the cheaper US dollar, and other factors caused our sales to decline for the three quarters that followed. We enjoyed a positive reversal of that trend for two quarters but, in the most recent quarter, continued competition from the US reduced sales of our personal hygiene products.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2010 $	2009 $		2010 $	2009 $	
Personal hygiene	556,488	617,315	-9.9%	1,894,514	2,235,745	-15.3%
Clinical and long-term care	905,882	902,936	0.3%	2,573,360	2,573,437	-0.0%
Other	44,619	38,889	14.7%	185,630	88,605	109.5%
	1,506,989	1,559,140	-3.3%	4,653,504	4,897,787	-5.0%

Cost of Sales

Direct costs (labour and materials) were slightly lower for the nine month period as a percentage of sales, in 2010 than in 2009. Variable and fixed overhead were higher, as a percentage of sales, because of the lower sales total and increased rent and equipment maintenance.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2010 % of sales	2009 % of sales	2010 % of sales	2009 % of sales
Materials	53.7%	52.8%	54.1%	54.8%
Labour	8.9%	9.3%	8.5%	8.7%
Variable overhead	7.1%	6.5%	7.0%	6.2%
Fixed overhead	7.3%	6.3%	7.0%	5.8%
Depreciation	4.0%	4.0%	3.9%	3.9%
Gross Margin	19.0%	21.1%	19.5%	20.6%

Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2010 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 labour fluctuations, which are also subject to shifts in the product mix, are within our usual operating ranges. We have 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.

Selling Expenses

Selling expenses were higher during 2010, at 8.8% of sales, compared to 7.7% for 2009. The increase is caused by higher freight rates and more shipments to Eastern Canada.

General and Administrative Expenses

General and administrative expenses were lower in the nine months ended December 31, 2010 than the same period in 2009 by $24,293. Administration and office expense is lower because of foreign exchange losses of $4,034 realized in 2010, compared to $29,110 in 2009. Interest is lower because of lower levels of bank indebtedness and long-term debt.

During the nine months ended December 31, 2010 professional fees include $7,252 (2009 – $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, 2010. We had working capital of $868,988 at December 31, 2010, compared to $798,168 at March 31, 2010. Our operating cash flows were $252,356 during the nine months ended December 31, 2010, an average of $28,040 per month, compared to an average of $35,338 per month during the year ended March 31, 2010, 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. We repaid the term loan outstanding at March 31, 2010 of $39,426 during the nine months ended December 31, 2010.

We have a revolving bank loan facility of $1,000,000, of which $433,417 was used at December 31, 2010. 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.

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.

Substantially all of the Company’s assets are pledged as collateral for the revolving bank loan facility.

We have ordered new equipment that will let us take advantage of lower priced raw materials. This equipment is expected to cost approximately $350,000 and should be installed by the end of May 2011. We also plan to spend approximately $200,000 on other equipment expansions and improvements over the next twelve months. We may acquire additional equipment, if worthy new product opportunities arise. We plan to financing this additional equipment through operating cash flow and 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 effect on our consolidated financial statements.

We will adopt International Financial Reporting Standards (“IFRS”) effective April 1, 2011. The differences between IFRS and Canadian GAAP that could have the most significant impact on our financial statements are described in our management discussion and analysis for the year ended March 31, 2010.

Key accounting personnel have completed IFRS training courses. We continue to evaluate IFRS in detail and consider their application to our financial statements. We plan to have this phase of our transition completed by February 28, 2011. During the three months ending May 31, 2011, we will prepare the reconciliations of Canadian GAAP to IFRS for our March 31, 2010 balance sheet and for each of the quarters in the year ending March 31, 2011. We are on target to issue our financial statements in accordance with IFRS as issued by the International Accounting Standards Board, commencing with the quarter ending June 30, 2011.

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 24, 2011
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 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, 2010

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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, 2010 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 2010	March 31 2010
	$	$
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	91,349	276,008
Accounts receivable	859,551	454,774
Inventory	954,012	994,256
Prepaid expenses	43,125	44,432
	1,948,037	1,769,470
PLANT AND EQUIPMENT	2,518,094	2,521,077
	4,466,131	4,290,547
L I A B I L I T I E S		
CURRENT LIABILITIES		
Bank indebtedness	433,417	475,000
Accounts payable and accrued liabilities	645,632	456,876
Current portion of term loans	-	39,426
	1,079,049	971,302
FUTURE INCOME TAX LIABILITIES	448,154	431,015
	1,527,203	1,402,317
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	254,510
RETAINED EARNINGS	552,351	501,653
	2,938,928	2,888,230
	4,466,131	4,290,547

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	
	2010	2009	2010	2009
	$	$	$	$
Sales	1,506,989	1,559,140	4,653,504	4,897,787
Cost of Sales				
Materials	809,324	822,418	2,519,006	2,682,160
Labour	134,620	144,435	394,950	427,269
Variable overhead	107,076	101,692	326,295	304,163
Fixed overhead	109,866	98,967	327,056	283,744
Depreciation	60,236	63,167	179,931	193,114
	1,221,122	1,230,679	3,747,238	3,890,450
Gross Profit	285,867	328,461	906,266	1,007,337
Expenses				
Selling and marketing				
Shipping	100,530	93,991	313,648	270,270
Salaries, commissions and employee benefits	20,686	28,245	78,686	92,061
Other	8,005	5,218	16,930	14,304
	129,221	127,454	409,264	376,635
General and administrative				
Administration and office	44,029	32,637	97,187	110,788
Corporate promotion	1,979	1,042	4,094	3,818
Interest on term loans	-	566	249	2,234
Interest on other debt	3,488	4,288	10,309	11,457
Professional fees	9,665	10,737	36,545	44,938
Salaries and employee benefits	96,701	88,013	280,781	280,223
	155,862	137,283	429,165	453,458
Income for the Period before Taxes	784	63,724	67,837	177,244
Future Income Tax Expense	917	18,193	17,139	51,276
Net (Loss) Income and Comprehensive (Loss) Income for the Period	(133)	45,531	50,698	125,968
Retained Earnings				
- Beginning of Period	552,484	478,036	501,653	397,599
- End of Period	552,351	523,567	552,351	523,567
(Loss) Earnings per Share, basic and diluted	(0.000)	0.004	0.005	0.011

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	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Cash Flows from Operating Activities				
Net (loss) income for the period	(133)	45,531	50,698	125,968
Adjustments to reconcile net income to cash flows from operating activities				
- depreciation	61,813	65,104	184,519	199,314
- stock option expense	-	4,390	-	13,170
- future income tax expense	917	18,193	17,139	51,276
	62,597	133,218	252,356	389,728
Net change in non-cash working capital related to operating activities	(162,837)	(378,160)	(175,899)	(204,417)
	(100,240)	(244,942)	76,457	185,311
Cash Flows from Investing Activities				
Purchase of plant and equipment	(105,912)	(32,241)	(180,107)	(90,176)
Cash Flows from Financing Activities				
Repayment of term loans	-	(23,643)	(39,426)	(70,929)
Increase (decrease) in bank indebtedness	72,374	140,000	(41,583)	(85,000)
	72,374	116,357	(81,009)	(155,929)
Decrease in Cash and Cash Equivalents	(133,778)	(160,826)	(184,659)	(60,794)
Cash and Cash Equivalents - Beginning of Period	225,127	251,291	276,008	151,259
- End of Period	91,349	90,465	91,349	90,465
Interest Paid	3,466	4,743	10,700	13,908
Non-Cash Investing Activities				
Increase (decrease) in accounts payable related to purchase of plant and equipment	14,772	(4,579)	1,429	(11,573)

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2010
(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, 2010. 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, 2010.

2. Share Capital

Stock Options - The following stock options are outstanding at December 31, 2010.

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	2.2 years	$0.100	800,000	$0.100

3. Related Party Transactions

During the nine months ended December 31, 2010, the company incurred $7,252 (2009 – $16,420) 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.