WestBond Enterprises Corporation

Quarterly Report
December 31, 2012

Management Discussion and Analysis

Dated February 27, 2013 to Accompany the Interim Consolidated Financial Statements for the Three and Nine Month Periods Ended December 31, 2012

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 2012 Annual Report. A pdf version of the 2012 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, 2012 and our consolidated financial statements for the year ended March 31, 2012 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 2012 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 20, 2012, the date of the Management Discussion and Analysis in the 2012 Annual Report, is not repeated here.

Sales were $1,616,833 for the three months ended December 31, 2012, which is 7.8% higher than for the three months ended December 31, 2011 and 3.5% higher than for the three months ended September 30, 2012. We realized a profit of $91,183 ($0.008 per share) for the three months ended December 31, 2012, compared to $41,871 ($0.004 per share) for the three months ended December 31, 2011. The profit for the quarter ended December 31, 2012 is higher than the same period last year because of increased sales, improved labour efficiency and lower factory overhead. Higher depreciation, from new equipment brought into operation, and administrative expenses, mainly related to business development activities, offset the improvements. A gain on the disposal of equipment of $30,426 also improved profit for the quarter ended December 31, 2012.

The table and graph on the next page show the trends over the past eight quarters.

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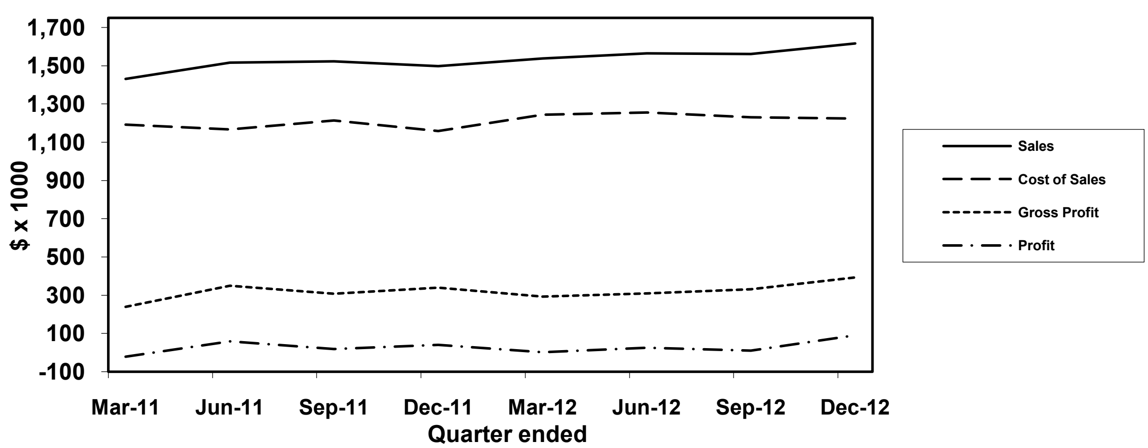
Summary of Quarterly Results

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 International Financial Reporting Standards.

	Quarters ended							
Cdn$ x 1,000	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**	**Mar 31 2012**	**Dec 31 2011**	**Sep 30 2011**	**Jun 30 2011**	**Mar 31 2011**
Sales	1,617	1,562	1,566	1,539	1,499	1,523	1,517	1,432
Cost of sales	1,224	1,231	1,256	1,245	1,159	1,215	1,167	1,192
Gross profit	393	331	310	294	340	308	350	240
Selling and distribution expenses	150	160	136	137	137	139	133	128
General and administrative expenses	150	137	138	146	139	146	132	133
Other (income) expenses	(28)	17	-	7	7	(5)	5	7
Profit (loss) before tax	121	17	36	4	57	28	80	(28)
Income tax expense (recovery)	30	6	10	1	15	8	21	(7)
Profit (loss)	91	11	26	3	42	20	59	(21)
Earnings (loss) per share, basic and diluted - Cdn$	0.008	0.001	0.002	0.000	0.004	0.002	0.005	(0.002)
Sales - % change over previous quarter	3.5	-0.3	1.8	2.7	-1.6	0.4	6.0	-5.0
Costs, expenses and profit - % of Sales								
Cost of sales	75.7	78.8	80.2	80.9	77.3	79.8	77.0	83.2
Selling and distribution expenses	9.3	10.2	8.7	8.9	9.2	9.1	8.7	9.0
General and administrative expenses	9.3	8.8	8.8	9.5	9.3	9.6	8.7	9.3
Other expenses (income)	-1.8	1.1	0.0	0.4	0.4	-0.3	0.3	0.5
Income tax expense	1.9	0.4	0.6	0.1	1.0	0.5	1.4	-0.5
Profit	5.6	0.7	1.7	0.2	2.8	1.3	3.9	-1.5



Sales

Sales for the three months ended December 31, 2012 are 7.8% higher than for the same period last year and 3.5% higher than the previous quarter, ended September 30, 2012. The increase is due to higher sales volumes in our clinical and long-term care markets, which have shown encouraging growth and prospects recently. Competition from low priced US and Chinese producers and the cheap US dollar continued to keep growth in the sales of and margins on our personal hygiene products at a lower level than we would like.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2012 $	2011 $		2012 $	2011 $	
Personal hygiene	543,244	492,517	10.3%	1,759,491	1,691,253	4.0%
Clinical and long-term care	979,429	891,083	9.9%	2,714,487	2,559,540	6.1%
Other	94,161	115,703	-18.6%	271,018	288,796	-6.2%
	1,616,833	1,499,303	7.8%	4,744,996	4,539,589	4.5%

Cost of Sales

Materials costs, as a percentage of sales, were higher in the nine months ended December 31, 2012 than in 2011 due to higher prices for raw materials. Favourable materials yields have offset the higher prices (by 1.4% of sales). Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2012 was 52.5%.

Direct production labour is lower in 2012 than in 2011 because of increased efficiency made possible by new equipment and improvements to older equipment. Factory overhead labour and variable overhead fluctuations are caused mainly by the timing of equipment maintenance activity. Depreciation was higher in 2012 than in 2011 because of new equipment brought into production during the latter part of the year ended March 31, 2012.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2012 % of sales	2011 % of sales	2012 % of sales	2011 % of sales
Materials	50.8%	50.3%	52.6%	52.2%
Production labour	7.3%	8.7%	7.2%	8.1%
Factory overhead labour	3.9%	4.3%	4.2%	4.2%
Variable overhead	2.3%	2.8%	2.5%	2.4%
Fixed overhead	6.9%	7.4%	7.1%	7.3%
Depreciation	4.5%	3.8%	4.6%	3.8%
Gross Margin	24.3%	22.7%	21.8%	22.0%

Selling Expenses

Selling expenses were higher during 2012 than 2011, at 9.3% of sales for the three month period and 9.4% of sales for the nine month period, compared to 9.1% and 9.0% for the respective periods last year. This was primarily caused by higher commissions and employee benefits.

General and Administrative Expenses

General and administrative expenses were similar in 2012 and 2011, with the exception of business development expenses to source equipment and paper suppliers in Asia, higher professional fees in 2012 for the audit of our transition to International Financial Reporting Standards, and lower administrative staff costs.

During the nine months ended December 31, 2012, the company incurred total short-term employee benefits of $240,130 (2011 – $248,360) to its key management personnel, comprising the directors and officers of the company, and incurred $7,275 (2011 – $5,138) of professional fees in the normal course of operations paid to DuMoulin Black LLP, a law firm in which J. Douglas Seppala, a director of the company, is a partner. The professional fees are for legal services provided to the Company at rates normally charged to arm's length parties.

Other Income and Expenses

The exchange rate between the US and Canadian dollars continues to fluctuate, causing gains in some periods that are offset with losses in other periods. During the quarter ended December 31, 2012, we realized a gain of $30,426 from the disposal of an old, almost fully depreciated, lift truck that had caught fire and was not repairable. Our replacement cost insurance paid for a brand new lift truck.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the nine months ended December 31, 2012. We had working capital of $1,074,164 at December 31, 2012, compared to $814,951 at March 31, 2012. Our operating cash flows were $346,130 during the nine months ended December 31, 2012, an average of $38,459 per month, compared to an average of $35,627 per month during the year ended March 31, 2012, 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 have a revolving bank loan facility of $1,000,000, of which $320,523 was used at December 31, 2012. 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. Loans outstanding under the facility bear interest at bank prime plus 0.75%. Substantially all of the Company's assets are pledged as collateral for the revolving bank loan facility.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as $300,000 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 also have a $127,772 non-revolving bank loan that is repayable in monthly instalments of principal of $5,556 until August 30, 2013 (which was extended from November 30, 2012 in September 2012) at which time the remaining principal and interest is due. The loan bears interest at bank prime plus 1%, payable monthly. A fixed charge on the specific equipment purchased with the loan proceeds is pledged as collateral.

We currently plan to spend a total of approximately $200,000 on equipment expansions and improvements during the year ending March 31, 2013. 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 effect on our consolidated 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.

	February 27, 2013
Authorized common shares without par value	Unlimited
Issued common shares	11,063,800
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 was extended at the Company's annual general meeting on September 4, 2012 and will remain in effect until the Company's annual general meeting in 2015, 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.

Other Information

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's web-site at www.westbond.ca.

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, 2012 and 2011 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 Statements of Financial Position
Canadian Dollars
(Unaudited)

	Notes	December 31 2012 $	March 31 2012 $
ASSETS			
Non-Current Assets			
Plant and equipment		2,586,263	2,690,079
Lease deposits		22,433	22,433
		2,608,696	2,712,512
Current Assets			
Inventory		1,084,516	1,099,252
Trade and other receivables		720,016	811,911
Prepaid expenses		88,528	34,329
Cash and cash equivalents		153,502	98,183
		2,046,562	2,043,675
Total Assets		4,655,258	4,756,187
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		2,099,703	2,099,703
Warrants		-	32,364
Contributed surplus		286,874	254,510
Retained earnings		783,879	654,803
Equity attributable to common share holders		3,170,456	3,041,380
Liabilities			
Non-Current Liabilities			
Deferred tax liability		512,404	486,083
Current Liabilities			
Revolving bank loans		320,523	377,000
Term bank loans	4	127,772	177,776
Trade and other payables		524,103	673,948
		972,398	1,228,724
Total Liabilities		1,484,802	1,714,807
Total Equity and Liabilities		4,655,258	4,756,187

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

WestBond Enterprises Corporation
Consolidated Statements of Comprehensive Income
Canadian Dollars
(Unaudited)

		Three months ended December 31		Nine months ended December 31	
		2012	**2011**	**2012**	**2011**
	Notes	**$**	**$**	**$**	**$**
Sales		1,616,833	1,499,303	4,744,996	4,539,589
Cost of sales	5	1,223,514	1,158,918	3,709,945	3,541,595
Gross Profit		393,319	340,385	1,035,051	997,994
Selling and distribution expenses	6	150,233	137,124	447,082	408,173
General and administrative expenses	7	150,353	139,568	424,823	417,358
Operating Profit		92,733	63,693	163,146	172,463
Foreign exchange (gains) losses		(2,201)	1,754	4,457	(5,581)
Gain on disposal of equipment		(30,426)	-	(30,426)	-
Interest expense		4,330	5,027	14,874	12,975
Profit Before Tax		121,030	56,912	174,241	165,069
Income tax expense		29,847	15,041	45,165	43,414
Profit and Comprehensive Income for the Period		91,183	41,871	129,076	121,655
Weighted average shares outstanding		11,063,800	11,063,800	11,063,800	11,063,800
Earnings per share, basic and fully diluted		0.008	0.004	0.012	0.011

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

WestBond Enterprises Corporation
Consolidated Statements of Changes in Equity
Canadian Dollars
(Unaudited)

	Common Shares	Warrants	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$
As at March 31, 2011	2,099,703	32,364	254,510	530,668	2,917,245
Profit for the period	-	-	-	121,655	121,655
As at December 31, 2011	2,099,703	32,364	254,510	652,323	3,038,900
As at March 31, 2012	2,099,703	32,364	254,510	654,803	3,041,380
Warrants expired, unexercised	-	(32,364)	32,364	-	-
Profit for the period	-	-	-	129,076	129,076
As at December 31, 2012	2,099,703	-	286,874	783,879	3,170,456

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

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows
Canadian Dollars
(Unaudited)

	Notes	Three months ended December 31 2012	Three months ended December 31 2011	Nine months ended December 31 2012	Nine months ended December 31 2011
		$	$	$	$
Operating Activities					
Profit for the period		91,183	41,871	129,076	121,655
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation		74,497	58,558	221,159	178,559
- gain on disposal of equipment		(30,426)	-	(30,426)	-
- deferred income tax		15,225	15,041	26,321	43,414
Cash flows from operating activities before changes in non-cash working capital		150,479	115,470	346,130	343,628
(Increase) decrease in					
- inventory		(79,300)	(104,577)	14,736	(39,408)
- trade and other receivables		7,583	(80,467)	91,895	(174,502)
- prepaid expenses		(40,250)	10,000	(54,199)	(6,569)
(Decrease) increase in					
- trade and other payables		(52,073)	(49,553)	(149,398)	(31,186)
Net Cash Flow from Operating Activities		(13,561)	(109,127)	249,164	91,963
Investing Activities					
Purchase of plant and equipment	8	(63,823)	(97,637)	(126,140)	(418,718)
Proceeds on disposal of equipment		38,776	-	38,776	-
Net Cash Flow from Investing Activities		(25,047)	(97,637)	(87,364)	(418,718)
Financing Activities					
Term loan proceeds		-	200,000	-	200,000
Repayment of term loans		(22,224)	(5,556)	(50,004)	(5,556)
Increase (decrease) in revolving bank loans		8,523	(86,484)	(56,477)	43,516
Net Cash Flow from Financing Activities		(13,701)	107,960	(106,481)	237,960
Net (Decrease) Increase in Cash and Cash Equivalents		(52,309)	(98,804)	55,319	(88,795)
Cash and Cash Equivalents at the Beginning of the Period		205,811	169,195	98,183	159,186
Cash and Cash Equivalents at the End of the Period		153,502	70,391	153,502	70,391
Interest Paid		4,284	5,012	13,854	12,983

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

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its subsidiary (together, the company) are a paper converter that manufactures disposable products for medical, hygienic and industrial uses. The company's manufacturing facilities are in Canada and its sales are primarily to Canada and the United States of America. The company is incorporated in British Columbia, Canada, and has its principal place of business at 7871 – 82nd Street, Delta, British Columbia.

The interim consolidated financial statements of the company for the three and nine month periods ended December 31, 2012 were approved and authorized for issue by resolution of the directors on February 27, 2013.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending March 31, 2013 could result in restatement of these interim consolidated financial statements.

The same accounting policies and methods of computation have been followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2012.

The disclosure contained in these interim consolidated financial statements has been condensed and includes only selected explanatory notes and does not duplicate or repeat disclosure reported in the consolidated financial statements for the year ended March 31, 2012 that has not changed materially since their date of issue. Accordingly, these interim consolidated financial statements should only be read in conjunction with the consolidated financial statements of the company for the year ended March 31, 2012.

3. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2012, the company incurred total compensation comprising short-term employee benefits of $240,130 (2011 – $248,360) to the directors and officers of the company and incurred $7,275 (2011 – $5,138) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

4. TERM BANK LOANS

During the nine months ended December 31, 2012, the term of the bank loan was extended to August 30, 2013.

	Three months ended December 31		Nine months ended December 31	
	2012	2011	2012	2011
	$	$	$	$
5. COST OF SALES				
Materials	820,222	753,697	2,498,485	2,368,456
Production labour	118,367	130,322	339,972	366,786
Factory overhead labour	62,980	65,145	198,825	190,534
Variable overhead	36,989	42,250	118,869	110,287
Fixed overhead	111,960	110,663	337,066	331,992
Depreciation	72,996	56,841	216,728	173,540
	1,223,514	1,158,918	3,709,945	3,541,595
6. SELLING AND DISTRIBUTION EXPENSES				
Shipping	112,849	104,216	332,885	318,597
Wages, commissions and other employee benefits	32,170	27,034	93,221	73,299
Other	5,214	5,874	20,976	16,277
	150,233	137,124	447,082	408,173
7. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	51,515	31,227	110,893	96,367
Corporate promotion	1,548	3,897	5,806	5,416
Professional fees	11,265	11,352	42,897	34,181
Salaries and other employee benefits	86,025	93,092	265,227	281,394
	150,353	139,568	424,823	417,358
8. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related related to purchase of plant and equipment	1,667	28,572	(447)	17,950