WestBond Enterprises Corporation

Quarterly Report
December 31, 2013

Management Discussion and Analysis

Dated February 28, 2014 to Accompany the Interim Consolidated Financial Statements for the Three and Nine Month Periods Ended December 31, 2013

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 2013 Annual Report. A pdf version of the 2013 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, 2013 and our consolidated financial statements for the year ended March 31, 2013 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 2013 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 15, 2013, the date of the Management Discussion and Analysis in the 2013 Annual Report, is not repeated here.

Sales were $1,677,997 for the three months ended December 31, 2013, which is 3.8% higher than for the three months ended December 31, 2012 and 1.9% higher than for the three months ended September 30, 2013. We realized a profit of $9,040 ($0.000 per share) for the three months ended December 31, 2013, compared to $91,183 ($0.008 per share) for the three months ended December 31, 2012. The profit for the quarter ended December 31, 2013 is lower than the same period last year because of increased materials costs, higher depreciation from new equipment brought into operation, higher professional fees and foreign exchange losses. A gain of $30,426 on the disposal of equipment also contributed to the higher profit for 2012.

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

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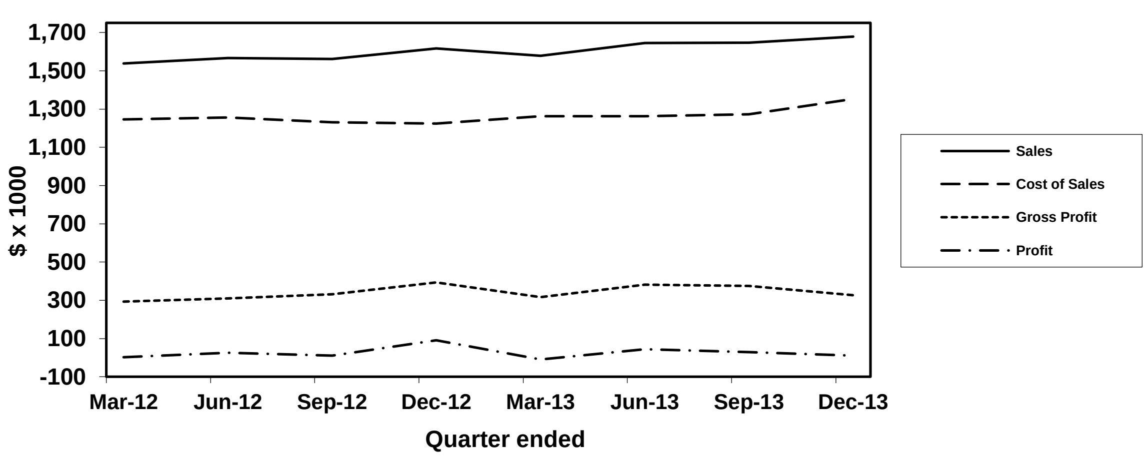
Summary of Quarterly Results

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.

Cdn$ x 1,000	Quarters ended Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012
Sales	1,678	1,647	1,644	1,579	1,617	1,562	1,566	1,539
Cost of sales	1,352	1,272	1,263	1,263	1,224	1,231	1,256	1,245
Gross profit	326	375	381	316	393	331	310	294
Selling and distribution expenses	157	168	161	148	150	160	136	137
General and administrative expenses	149	157	129	170	150	137	138	146
Other (income) expenses	7	9	5	10	(28)	17	-	7
Profit (loss) before tax	13	41	86	(12)	121	17	36	4
Income tax expense (recovery)	4	12	43	(2)	30	6	10	1
Profit (loss)	9	29	43	(10)	91	11	26	3
Earnings (loss) per share, basic and diluted - Cdn$	0.000	0.002	0.004	(0.001)	0.008	0.001	0.002	0.000
Sales - % change over previous quarter	1.9	0.1	4.1	-2.3	3.5	-0.3	1.8	2.7
Costs, expenses and profit - % of Sales								
Cost of sales	80.6	77.2	76.8	80.0	75.7	78.8	80.2	80.9
Selling and distribution expenses	9.4	10.2	9.8	9.3	9.3	10.2	8.7	8.9
General and administrative expenses	8.9	9.5	7.9	10.7	9.3	8.8	8.8	9.5
Other expenses (income)	0.4	0.6	0.3	0.6	-1.8	1.1	0.0	0.4
Income tax expense	0.2	0.7	2.6	-0.1	1.9	0.4	0.6	0.1
Profit	0.5	1.8	2.6	-0.5	5.6	0.7	1.7	0.2



Sales

Sales are 3.8% higher for the three months ended December 31, 2013 and 4.7% higher for the nine months ended December 31, 2013 than for the comparable periods last year. Increases in personal hygiene products, due mainly to weakening competition from the United States, was offset by lower sales volumes in clinical, long-term care and other products.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2013 $	2012 $		2013 $	2012 $	
Personal hygiene	702,728	543,244	29.4%	2,136,957	1,759,491	21.5%
Clinical and long-term care	904,416	979,429	-7.7%	2,610,777	2,714,487	-3.8%
Other	70,853	94,161	-24.8%	221,433	271,018	-18.3%
	1,677,997	1,616,833	3.8%	4,969,167	4,744,996	4.7%

Cost of Sales

Materials costs, as a percentage of sales, were higher in 2013 than in 2012 due to increased prices for raw materials. Strong US dollar exchange rates added to the increase, as much of our paper is purchased in US dollars. Our normal operating range for materials has been 51% to 55% and the average for the year ended March 31, 2013 was 52.6%.

The fluctuations in direct production labour in 2013 over 2012 are within our normal operating range of 7.0% to 8.0%. Factory overhead labour and variable overhead fluctuations are caused mainly by the timing of equipment maintenance activity. Fixed overhead is lower because sales were higher in 2013 than in 2012. Depreciation was higher in 2013 than in 2012 because of new equipment brought into production during the latter part of the year ended March 31, 2013.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2013 % of sales	2012 % of sales	2013 % of sales	2012 % of sales
Materials	56.2%	50.8%	53.4%	52.6%
Production labour	7.1%	7.3%	7.4%	7.2%
Factory overhead labour	3.8%	3.9%	3.8%	4.2%
Variable overhead	2.0%	2.3%	1.9%	2.5%
Fixed overhead	6.7%	6.9%	6.9%	7.1%
Depreciation	4.8%	4.5%	4.8%	4.6%
Gross Margin	19.4%	24.3%	21.8%	21.8%

Selling Expenses

Selling expenses were higher during 2013 than 2012, at 9.4% of sales for the three month period and 9.8% for the nine month period this year, compared to 9.3% and 9.4% for the respective periods last year. This was primarily caused by increased shipping rates and "fuel surcharges" and because sales to Central and Eastern Canada have increased while local sales have decreased. Sales commissions were higher in 2013, primarily to agents for customers in Central and Eastern Canada..

General and Administrative Expenses

General and administrative expenses were similar in 2013 and 2012, with the exceptions of higher professional fees in 2013, related to the negotiation of a lease on new manufacturing facilities and the negotiation of construction contracts for equipment, and higher business development expenses in 2012.

During the nine months ended December 31, 2013, the company incurred total short-term employee benefits of $243,266 (2012 – $240,130) to its key management personnel, comprising the directors and officers of the company, and incurred professional fees of $65,241 (2012 – $7,275), of which $29,221 (2012 - $nil) are reflected in share issue costs, 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. Interest expense is lower due to decreased debt levels. Income tax expense includes an adjustment of deferred taxes by $20,537 to reflect the increase in the British Columbia income tax rate enacted in June 2013.

Liquidity, Financial Position and Capital Resources

Our financial position improved during the nine months ended December 31, 2013, most significantly from net cash proceeds of $1,429,122 from a private placement of 18,750,000 of our common shares. We issued another 3,447,000 common shares in February 2014 for gross proceeds of $310,230. We also negotiated a $5,000,000 term loan credit facility for the purchase of certain production equipment. We plan to use the proceeds from the private placement, the credit facility and surplus cash flow over the next 15 months to purchase approximately $7,000,000 of equipment to vertically integrate and expand our manufacturing capacity. We currently plan to spend an additional total of approximately $350,000 on regular equipment expansions and improvements during the year ending March 31, 2014. We will finance these additions from operating cash flows.

We had working capital of $2,616,809 at December 31, 2013, compared to $1,086,618 at March 31, 2013. Our operating cash flows were $367,294 during the nine months ended December 31, 2013, an average of $40,810 per month, compared to an average of $37,328 per month during the year ended March 31, 2013, before accounting for fluctuations in non-cash working capital.

We have a revolving bank loan facility of $1,000,000, which was unused at December 31, 2013. 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 $61,100 non-revolving bank loan that is repayable in monthly instalments of principal of $5,556 until November 30, 2014 (extended from August 30, 2013 during the nine months ended December 31, 2013) 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 have negotiated a 15 year lease for manufacturing, warehouse and office premises to replace our current premises whose leases expire on June 30, 2014. The new premises provide more space than the current premises at a lower overall rental cost. We expect the moving expenses to be recovered by reduced rent over three or four years.

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 share purchase warrants outstanding, a stock option plan and a shareholder rights plan.

	February 28, 2014
Authorized common shares without par value	Unlimited
Issued common shares	33,260,800
Warrants	405,000
Shares issuable on exercise of outstanding stock options	Nil
Shares available for future stock option grants	2,000,000

The warrants entitle the holder to purchase 405,000 common shares at $0.08 per share until September 18, 2014.

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, 2013 and will remain in effect until the Company's annual general meeting in 2016 subject to further renewal or amendment. 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, 2013 and 2012 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 2013 $	March 31 2013 $
ASSETS			
Non-Current Assets			
Plant and equipment		2,535,212	2,566,419
Lease deposits		58,456	22,433
		2,593,668	2,588,852
Current Assets			
Inventory		989,173	1,197,797
Trade and other receivables		858,513	818,181
Prepaid expenses		61,889	26,354
Cash and cash equivalents		1,327,246	76,157
		3,236,821	2,118,489
Total Assets		5,830,489	4,707,341
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding	3	3,517,080	2,099,703
Warrants	3	11,745	-
Contributed surplus		286,874	286,874
Retained earnings		856,490	775,465
Equity attributable to common shareholders		4,672,189	3,162,042
Liabilities			
Non-Current Liabilities			
Deferred tax liability		538,288	513,428
Current Liabilities			
Revolving bank loans		-	237,000
Term bank loans	4	61,100	116,660
Trade and other payables		558,912	678,211
		620,012	1,031,871
Total Liabilities		1,158,300	1,545,299
Total Equity and Liabilities		5,830,489	4,707,341

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

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

	Notes	Three months ended December 31 2013	Three months ended December 31 2012	Nine months ended December 31 2013 $	Nine months ended December 31 2012 $
Sales		1,677,997	1,616,833	4,969,167	4,744,996
Cost of sales	7	1,352,236	1,223,514	3,887,346	3,709,945
Gross Profit		325,761	393,319	1,081,821	1,035,051
Selling and distribution expenses	8	157,204	150,233	486,764	447,082
General and administrative expenses	9	149,026	150,354	434,987	424,824
Operating Profit		19,531	92,732	160,070	163,145
Foreign exchange losses (gains)		5,365	(2,201)	13,784	4,457
Gain on disposal of equipment		-	(30,426)	-	(30,426)
Interest expense		703	4,330	5,606	14,874
Profit Before Tax		13,463	121,029	140,680	174,240
Income tax expense		4,423	29,847	59,655	45,165
Profit and Comprehensive Income		9,040	91,182	81,025	129,075
Weighted average shares outstanding		29,813,800	11,063,800	17,985,618	11,063,800
Earnings per share, basic and fully diluted		0.000	0.008	0.005	0.012

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	Stock Options	Contributed Surplus	Retained Earnings	Total
	$	$	$	$	$	$
As at March 31, 2012	2,099,703	32,364	254,510	-	654,803	3,041,380
Profit for the period	-	-	-	-	129,075	129,075
As at December 31, 2012	2,099,703	32,364	254,510	-	783,878	3,170,455
As at March 31, 2013	2,099,703	-	-	286,874	775,465	3,162,042
Shares issued for cash	1,500,000	-	-	-	-	1,500,000
Share issue costs	(70,878)	-	-	-	-	(70,878)
Warrants issued as finders fee for shares issued	(11,745)	11,745	-	-	-	-
Profit for the period	-	-	-	-	81,025	81,025
As at December 31, 2013	3,517,080	11,745	-	286,874	856,490	4,672,189

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

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

		Three months ended December 31		Nine months ended December 31	
		2013	**2012**	**2013**	**2012**
	Notes	**$**	**$**	**$**	**$**
Operating Activities					
Profit		9,040	91,183	81,025	129,076
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation		82,132	74,497	244,977	221,159
- gain on disposal of equipment		-	(30,426)	-	(30,426)
- interest expense		703	4,330	5,606	14,874
- interest paid		(737)	(4,284)	(5,949)	(13,854)
- income tax expense		4,423	29,847	59,655	45,165
- income tax paid		(2,283)	-	(18,020)	(2,998)
Cash flows from operating activities before changes in non-cash working capital		93,278	165,147	367,294	362,996
(Increase) decrease in					
- inventory		(40,452)	(79,300)	208,624	14,736
- trade and other receivables		13,472	7,583	(40,332)	91,895
- prepaid expenses		41,143	(40,250)	(35,535)	(54,199)
(Decrease) increase in					
- deferred tax liability		1,612	15,225	24,860	26,321
- trade and other payables		(34,210)	(81,966)	(105,716)	(192,585)
Net Cash Flow from Operating Activities		74,843	(13,561)	419,195	249,164
Investing Activities					
Purchase of plant and equipment	10	(93,735)	(63,823)	(268,645)	(126,140)
Proceeds from disposal of equipment		-	38,776	-	38,776
Lease deposits		(36,023)	-	(36,023)	-
Net Cash Flow from Investing Activities		(129,758)	(25,047)	(304,668)	(87,364)
Financing Activities					
Issuance of common shares for cash		-	-	1,500,000	-
Share issue costs		(942)	-	(70,878)	-
Repayment of term loans		(16,668)	(22,224)	(55,560)	(50,004)
Decrease in revolving bank loans		-	8,523	(237,000)	(56,477)
Net Cash Flow from Financing Activities		(17,610)	(13,701)	1,136,562	(106,481)
Net (Decrease) Increase in Cash and Cash Equivalents		(72,525)	(52,309)	1,251,089	55,319
Cash and Cash Equivalents at the Beginning of the Period		1,399,771	205,811	76,157	98,183
Cash and Cash Equivalents at the End of the Period		1,327,246	153,502	1,327,246	153,502

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, 2013 were approved and authorized for issue by resolution of the directors on February 28, 2014.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company are prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting,* ("IAS 34"). The policies applied in these interim consolidated financial statements are based on International Financial Reporting Standards ("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, 2014 could result in restatement of these interim consolidated financial statements.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2013.

The disclosure contained in these interim consolidated financial statements is 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, 2013 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, 2013.

3. SHARE CAPITAL

During the nine months ended December 31, 2013 the company issued 18,750,000 common shares at $0.08 per share for gross proceeds of $1,500,000, increasing the total number of common shares outstanding to 29,813,800. In partial compensation as a finder's fee for a portion of the proceeds, the company issued warrants to purchase an additional 405,000 common shares at $0.08 per share until September 18, 2014. The fair value ascribed to the warrants of $11,745 was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.26%, a dividend yield of 0%, expected warrant life of 1 year and a volatility of 49%.

Subsequent to December 31, 2013 the company issued an additional 3,447,000 common shares for gross proceeds of $310,230.

4. TERM BANK LOANS

During the nine months ended December 31, 2013 the term of the outstanding bank loan was extended to November 30, 2014.

During the nine months ended December 31, 2013 the company negotiated a $5,000,000 term loan credit facility for the purchase of certain production equipment. Loans under the facility are to be fully drawn down by March 30, 2015. Repayment of the loans is in 11 monthly instalments of $59,524 commencing 12 months after final draw with a final payment of the balance of principal 24 months after final draw. Interest is payable monthly at bank prime plus 1.5% per annum. A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of the company's assets will be pledged as collateral.

5. COMMITMENTS

During the nine months ended December 31, 2013 the company entered into an operating lease for premises, commencing April 1, 2014 and ending July 31, 2029. Future minimum lease payments are as follows:

Years ending March 31	$
2015	182,045
2016	292,175
2017 – 2019	301,728
2020	319,099
2021 – 2022	327,784
2023	345,155
2024	353,840
2025	362,526
2026 – 2027	366,868
2028	375,554
2029	379,896
2030	126,632

Operating costs and property taxes for the premises, currently estimated at $110,000 per year, are payable in addition to the minimum lease payments.

6. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2013 the company incurred total compensation comprising short-term employee benefits of $243,266 (2012 – $240,130) to the directors and officers of the company and incurred $65,241 (2012 – $7,275) of legal fees in the normal course of operations with a firm in which a director of the company is a partner. $29,221 of the legal fees for 2013 are reflected in share issue costs.

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2013 and 2012
Canadian Dollars
(unaudited)

	Three months ended December 31		Nine months ended December 31	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
7. COST OF SALES				
Materials	943,721	820,222	2,655,187	2,498,485
Production labour	119,431	118,367	369,727	339,972
Factory overhead labour	63,616	62,980	187,369	198,825
Variable overhead	34,105	36,989	95,376	118,869
Fixed overhead	111,615	111,960	340,207	337,066
Depreciation	79,748	72,996	239,480	216,728
	1,352,236	1,223,514	3,887,346	3,709,945
8. SELLING AND DISTRIBUTION EXPENSES				
Shipping	117,142	112,849	361,979	332,885
Wages, commissions and other employee benefits	34,311	32,170	112,049	93,221
Other	5,751	5,214	12,736	20,976
	157,204	150,233	486,764	447,082
9. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	32,323	51,516	96,516	110,894
Corporate promotion	2,555	1,548	8,971	5,806
Professional fees	21,383	11,265	67,033	42,897
Salaries and other employee benefits	92,765	86,025	262,467	265,227
	149,026	150,354	434,987	424,824
10. NON-CASH INVESTING ACTIVITIES				
(Decrease) increase in accounts payable related related to purchase of plant and equipment	(12,517)	1,667	(54,875)	(447)