WestBond Enterprises Corporation

Quarterly Report
December 31, 2015

Management Discussion and Analysis

Dated February 24, 2016 to Accompany the Interim Consolidated Financial Statements for the Three and Nine Month Periods Ended December 31, 2015

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 2015 Annual Report. A pdf version of the 2015 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, 2015 and our consolidated financial statements for the year ended March 31, 2015 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 2015 Annual Report. Information included in that discussion is only up-dated in this discussion. Information that has not changed materially since July 28, 2015, the date of the Management Discussion and Analysis in the 2015 Annual Report, is not repeated here.

Sales were $1,960,673 for the three months ended December 31, 2015, which is 7.6% higher than for the three months ended December 31, 2014 and 1.8% lower than for the three months ended September 30, 2015. We realized a profit of $53,880 ($0.002 per share) for the three months ended December 31, 2015, compared to a net loss of $155,321 ($0.005 per share) for the three months ended December 31, 2014. The profit for the three months ended December 31, 2015 includes interest expense of $53,952, while the net loss for the three months ended December 31, 2014 included stock option expense of $96,200, a loss on forward currency exchange contracts of $26,650, moving expenses of $23,084 and interest expense of $2,958. Our gross profit margins improved during the three months ended December 31, 2015, to 23.3% from an average of 18.2% over the previous seven quarters. The improvement is the result of savings realized from manufacturing our own air laid paper.

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

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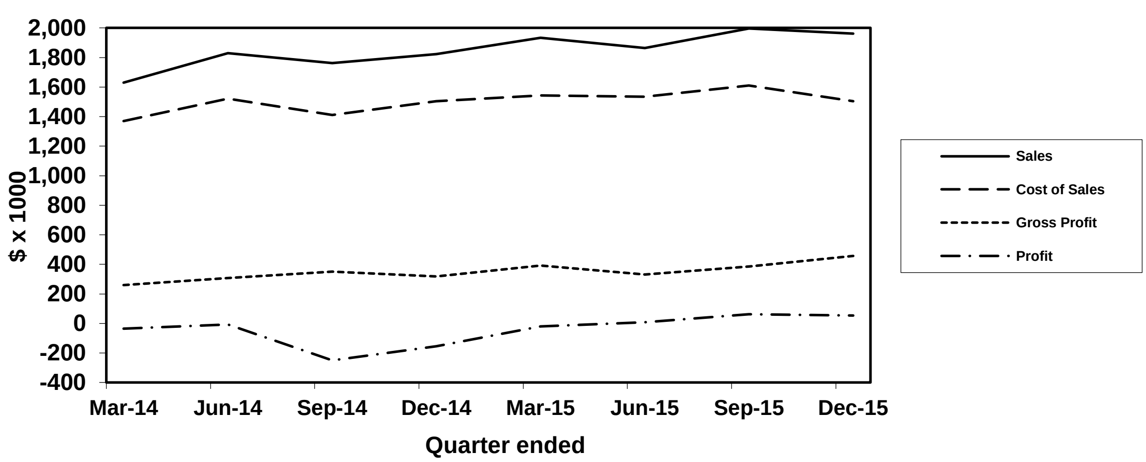
Summary of Quarterly Results

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. The quarters ended September 30 and December 31, 2014 have been restated to reflect the losses on forward exchange contracts as an expense, rather than capitalized under hedge accounting.

Cdn$ x 1,000	**Quarters ended**							
	Dec 31 2015	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**	**Mar 31 2014**
Sales	1,961	1,996	1,865	1,934	1,823	1,762	1,830	1,629
Cost of sales	1,504	1,610	1,534	1,543	1,505	1,411	1,522	1,369
Gross profit	457	386	331	391	318	351	308	260
Selling and distribution expenses	162	155	147	153	169	163	179	146
General and administrative expenses	153	166	153	156	245	160	138	154
Operating profit (loss)	142	65	31	82	(96)	(28)	(9)	(40)
Other expenses (income)	66	(1)	16	89	56	311	1	7
Profit (loss) before tax	76	66	15	(7)	(152)	(283)	(10)	(47)
Income tax expense (recovery)	22	5	7	12	3	(34)	(2)	(11)
Profit (loss)	54	61	8	(19)	(155)	(249)	(8)	(36)
Earnings (loss) per share, basic and diluted - Cdn$	0.002	0.002	0.000	(0.001)	(0.005)	(0.007)	(0.000)	(0.001)
Sales - % change over previous quarter	-1.8	7.0	-3.6	6.1	3.5	-3.7	12.3	-2.8
Costs, expenses and net income - % of Sales								
Cost of sales	76.7	80.7	82.2	79.8	82.6	80.1	83.2	84.0
Selling and distribution expenses	8.2	7.8	7.9	7.9	9.3	9.3	9.8	8.9
General and administrative expenses	7.8	8.3	8.2	8.1	13.4	9.1	7.5	9.4
Other expenses (income)	3.4	-0.1	0.9	4.6	3.0	17.6	0.0	0.5
Income tax expense (recovery)	1.1	0.3	0.4	0.6	0.2	-1.9	-0.1	-0.7
Profit (loss)	2.8	3.0	0.4	-1.0	-8.5	-14.2	-0.4	-2.1



Sales

Sales for the three months ended December 31, 2015 were 7.6% higher than for the same period last year and 1.8% lower than the previous quarter, ended September 30, 2015. The increase is due to higher sales volumes, higher prices and the higher Canadian dollar value of sales denominated in US dollar prices.

Sales	Three months ended December 31		Change over last year	Nine months ended December 31		Change over last year
Product Line	2015 $	2014 $		2015 $	2014 $	
Personal hygiene	795,016	758,452	4.8%	2,618,498	2,564,561	2.1%
Clinical	395,289	408,390	-3.2%	1,142,727	1,064,225	7.4%
Long-term care	697,295	607,242	14.8%	1,867,937	1,658,801	12.6%
Other	73,073	48,845	49.6%	192,503	127,833	50.6%
	1,960,673	1,822,929	7.6%	5,821,665	5,415,420	7.5%

Cost of Sales

Our cost of sales structure is changing as a result of bringing our air laid paper machine into production. Materials costs are lower and labour, overhead and depreciation are higher. The net effect is a higher gross margin. We expect these changes to continue to improve the gross margin as we bring the paper machine into full production.

Cost of Sales	Three months ended December 31		Nine months ended December 31	
	2015 % of sales	2014 % of sales	2015 % of sales	2014 % of sales
Materials	43.6%	56.6%	51.8%	57.8%
Production labour	11.1%	7.9%	9.4%	7.7%
Factory overhead labour	5.0%	4.1%	4.2%	3.8%
Variable overhead	4.5%	3.5%	3.2%	2.9%
Fixed overhead	6.4%	5.8%	6.3%	5.2%
Depreciation	6.1%	4.7%	4.9%	4.6%
Gross Margin	23.3%	17.4%	20.2%	18.0%

Selling Expenses

Selling expenses during the three months ended December 31, 2015 were 8.2% of sales, compared to 9.3% for the three months ended December 31, 2014. The improvement is due to lower shipping rates and commissions.

General and Administrative Expenses

General and administrative expenses were lower in 2015 than in 2014. Rent and depreciation on new office furnishings caused the increase in administration and office expense. Higher rates of pay caused salaries and employee benefits to increase, which was offset in 2014 by $88,985 in stock option expense not incurred in 2015.

During the nine months ended December 31, 2015, the company incurred total short-term employee benefits of $261,163 (2014 – $339,051) to its key management personnel, comprising the directors and officers of the company, and incurred $11,824 (2014 – $8,940) 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 increasing US dollar exchange rate caused a $12,377 loss in the three months ended December 31, 2015, compared with a $2,444 loss in the same period last year. Interest expense is higher because we stopped capitalizing the interest on the term bank loan in September 2015. The term loan partially financed the purchase and installation of the binder bonded air laid paper making machine which started production at the end of August.

Liquidity, Financial Position and Capital Resources

Our operating cash flows were $519,219 during the nine months ended December 31, 2015, an average of $57,691 per month, compared to an average of $26,604 per month during the year ended March 31, 2015, before accounting for fluctuations in non-cash working capital. We had working capital of $849,591 at December 31, 2015, compared to $361,268 at March 31, 2015. The increase is due to improved operating cash flows and to term loan proceeds (which paid off accounts payable at March 31, 2015 related to equipment purchases).

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 $1,500,000 (increased from $1,000,000 during the three months ended December 31, 2015), of which $29,018 was used December 31, 2015. 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 $300,000. 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 $5,000,000 term loan credit facility for the purchase of our binder bonded air laid paper making machine, which was fully drawn at December 31, 2015. Repayment of the loan is in 11 monthly instalments of $59,524 commencing September 22, 2016 with a final payment of the balance of principal on September 22, 2017. 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 are pledged as collateral.

In September 2015 we completed the last of our equipment purchase commitments, which totaled €448,065 (European euros) at March 31, 2015.

The binder bonded air laid paper making machine went into production during the last week of August 2015. We are pleased that the project completed on budget. We are excited to be making our own air laid paper and expect to realize significant improvements in our operating performance. Production during September and October was relatively low during this start-up phase. By December we were at 37% of capacity. We are pursuing bulk air laid paper sales to other paper converters to utilize the remaining machine capacity.

Our budget for the purchase and installation of the binder bonded air laid paper making machine was $7,000,000. The project was substantially completed at a cost of $7,052,042, including the $240,881 net loss on forward currency exchange contracts.

We intend to spend around $300,000 for production equipment during the next year, which we will finance from operating cash flows.

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 24, 2016
Authorized common shares without par value	Unlimited
Issued common shares	33,665,800
Shares issuable on exercise of outstanding stock options	2,000,000
Shares available for future stock option grants	1,366,580

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 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, 2015 and 2014 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 2015 $	March 31 2015 $
ASSETS			
Non-Current Assets			
Plant and equipment		9,339,505	8,022,167
Lease deposits		18,012	18,012
Deferred tax assets		-	12,688
		9,357,517	8,052,867
Current Assets			
Inventory		956,846	886,275
Trade and other receivables		971,948	982,370
Income tax recoverable		20,443	37,812
Prepaid expenses		38,096	28,163
Cash and cash equivalents		50,389	96,410
		2,037,722	2,031,030
Total Assets		11,395,239	10,083,897
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,883,225	3,883,225
Stock options	4	96,200	96,200
Contributed surplus		286,874	286,874
Retained earnings		513,199	390,897
Equity attributable to common shareholders		4,779,498	4,657,196
Liabilities			
Non-Current Liabilities			
Term bank loans		4,761,904	290,653
Liabilities supported by term loan commitments		-	2,889,425
Deferred operating lease liability		92,723	52,505
Deferred tax liability		566,983	524,356
		5,421,610	3,756,939
Current Liabilities			
Revolving bank loans		29,018	358,118
Term bank loans		238,096	-
Unrealized loss on forward currency exchange contracts		-	190,256
Trade and other payables		927,017	1,121,388
		1,194,131	1,669,762
Total Liabilities		6,615,741	5,426,701
Total Equity and Liabilities		11,395,239	10,083,897
Commitments	6		

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		Nine months ended December 31	
		2015	2014 restated	2015	2014 restated
	3	$	$	$	$
Sales		1,960,673	1,822,929	5,821,665	5,415,420
Cost of sales	7	1,503,684	1,505,498	4,647,426	4,438,813
Gross Profit		456,989	317,431	1,174,239	976,607
Selling and distribution expenses	8	161,592	169,402	464,395	511,768
General and administrative expenses	9	153,540	245,028	472,499	543,366
Operating Profit (Loss)		141,857	(96,999)	237,345	(78,527)
Foreign exchange loss		12,377	2,444	25,918	1,145
(Gain) loss on forward currency exchange contracts		-	26,650	(24,117)	177,505
Loss on disposal of equipment		-	-	-	11,253
Relocation expenses		-	23,084	-	172,209
Interest expense		53,952	2,958	79,281	3,988
Profit (Loss) Before Tax		75,528	(152,135)	156,263	(444,627)
Income tax expense (recovery)		21,648	3,186	33,961	(32,421)
Profit (Net Loss) and Comprehensive Income (Loss)		53,880	(155,321)	122,302	(412,206)
Weighted average shares outstanding		33,665,800	33,665,800	33,665,800	33,413,964
Earnings (loss) per share, basic and fully diluted		0.002	(0.005)	0.004	(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, 2014	3,839,080	11,745	-	286,874	822,120	4,959,819
Exercise of warrants	44,145	(11,745)	-	-	-	32,400
Grant of stock options	-	-	96,200	-	-	96,200
Loss for the period	-	-	-	-	(412,206)	(412,206)
As at December 31, 2014 (restated - note 3)	3,883,225	-	96,200	286,874	409,914	4,676,213
As at March 31, 2015	3,883,225	-	96,200	286,874	390,897	4,657,196
Profit for the period	-	-	-	-	122,302	122,302
As at December 31, 2015	3,883,225	-	96,200	286,874	513,199	4,779,498

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		Nine months ended December 31	
		2015	**2014 restated**	**2015**	**2014 restated**
	3				
		$	**$**	**$**	**$**
Operating Activities					
Profit (Net loss)		53,880	(155,321)	122,302	(412,206)
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation		122,682	88,433	303,041	255,602
- loss on disposal of equipment		-	-	-	11,253
- grant of stock options		-	96,200	-	96,200
- lease deposits applied		-	18,011	-	40,444
- deferred operating lease liability		10,252	37,522	40,218	37,522
- loss (gain) on forward currency exchange contracts		-	26,650	(24,117)	177,505
- interest expense		53,952	2,958	79,281	3,988
- interest paid		(53,358)	(2,474)	(74,190)	(3,448)
- income tax expense (recovery)		21,648	3,186	33,961	(32,421)
- income tax (paid) refunded		-	(6,672)	38,723	(34,423)
Cash flows from operating activities before changes in non-cash working capital		209,056	108,493	519,219	140,016
(Increase) decrease in					
- inventory		(123,994)	(6,298)	(70,571)	368,890
- trade and other receivables		(159,465)	75,140	10,422	(115,275)
- prepaid expenses		27,160	13,136	(9,933)	3,568
- deferred tax assets		-	-	-	1,208
(Decrease) increase in					
- deferred tax liability		-	7,915	-	(527)
- trade and other payables		222,484	(114,481)	(116,784)	13,465
Net Cash Flow from Operating Activities		175,241	83,905	332,353	411,345
Investing Activities					
Purchase of plant and equipment	10	(110,373)	(362,184)	(4,532,334)	(2,375,659)
Interest capitalized		-	-	(60,148)	-
Realized gain (loss) on forward currency contracts		-	-	(166,139)	-
Net Cash Flow from Investing Activities		(110,373)	(362,184)	(4,758,621)	(2,375,659)
Financing Activities					
Issuance of common shares for cash on exercise of warrants		-	-	-	32,400
Term loan proceeds		-	-	4,709,347	-
Repayment of term loans		-	(11,096)	-	(44,432)
(Decrease) increase in revolving bank loans		(18,721)	263,672	(329,100)	388,672
Net Cash Flow from Financing Activities		(18,721)	252,576	4,380,247	376,640
Net Increase (Decrease) in Cash and Cash Equivalents		46,147	(25,703)	(46,021)	(1,587,674)
Cash and Cash Equivalents at the Beginning of the Period		4,242	76,436	96,410	1,638,407
Cash and Cash Equivalents at the End of the Period		50,389	50,733	50,389	50,733

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

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its subsidiary, WestBond Industries Inc., (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 101 – 7403 Progress Way, Delta, British Columbia.

The interim consolidated financial statements of the company for the three and nine month periods ended December 31, 2015 were approved and authorized for issue by resolution of the directors on February 24, 2016.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been 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, 2016 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, 2015.

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, 2015 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, 2015.

3. RESTATEMENT OF COMPARATIVE PERIODS

The comparative amounts for the three and nine month periods ended December 31, 2014 have been restated to reflect the losses on forward exchange contracts as an expense, rather than capitalized under hedge accounting. Plant equipment has decreased and net loss has increased from the amounts reported previously by $26,650 for the three month period and 177,505 for the nine month period.

4. STOCK OPTION PLAN

During the nine months ended December 31, 2015, the company adopted a stock option plan that permits the company to grant stock options on up to 10% of the number of shares outstanding at the time of the grant, including options outstanding under the company's old stock option plan.

5. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2015, the company incurred total compensation comprising short-term employee benefits of $261,163 (2014 – $339,051), to the directors and officers of the company and incurred $11,824 (2014 – $8,940) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

6. COMMITMENTS

The company has made and settled equipment purchase commitments denominated in European euros as follows:

	€
Outstanding at March 31, 2015	448,065
Payments made during the period	(448,065)
Outstanding at December 31, 2015	-

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
December 31, 2015 and 2014
Canadian Dollars
(unaudited)

	Three months ended December 31		Nine months ended December 31	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
7. COST OF SALES				
Materials	854,189	1,032,605	3,010,831	3,127,630
Production labour	217,695	144,437	547,372	420,106
Factory overhead labour	98,022	73,885	243,846	204,911
Variable overhead	88,652	64,153	183,648	159,368
Fixed overhead	125,563	105,272	368,650	279,739
Depreciation	119,563	85,146	293,079	247,059
	1,503,684	1,505,498	4,647,426	4,438,813
8. SELLING AND DISTRIBUTION EXPENSES				
Shipping	139,103	136,485	388,608	420,497
Wages, commissions and other employee benefits	17,989	30,970	63,619	82,719
Other	4,500	1,947	12,168	8,552
	161,592	169,402	464,395	511,768
9. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	42,836	39,294	124,509	118,069
Corporate promotion	2,618	5,014	6,845	9,160
Professional fees	10,989	12,762	44,296	35,940
Salaries and other employee benefits	97,097	187,958	296,849	380,197
	153,540	245,028	472,499	543,366
10. NON-CASH INVESTING ACTIVITIES				
Decrease in plant and equipment purchase liabilities supported by term loan commitments	-	-	2,889,425	-
(Decrease) increase in accounts payable related		-		
to purchase of plant and equipment	(74,543)	(106,129)	(81,438)	77,233