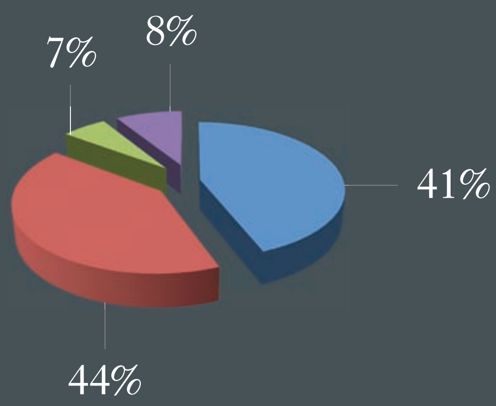
2015 First Quarter

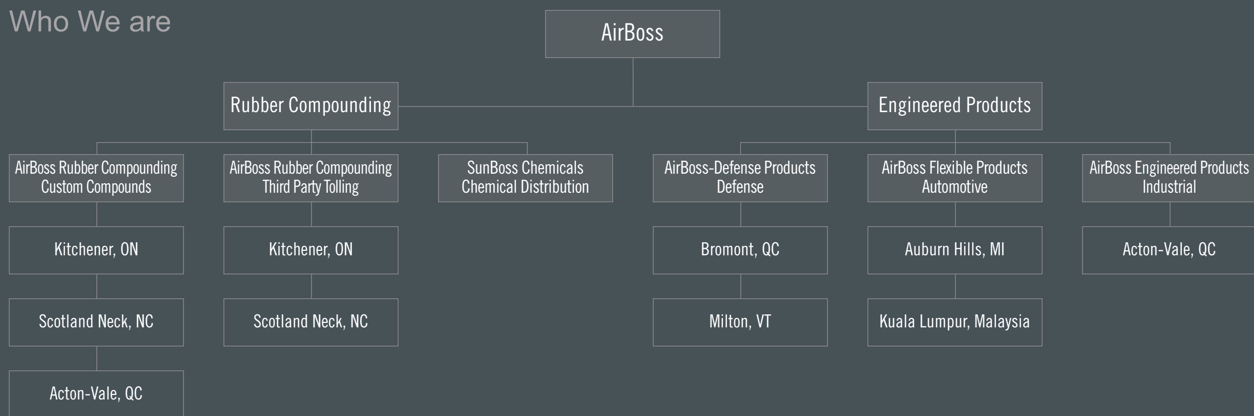
Interim Report

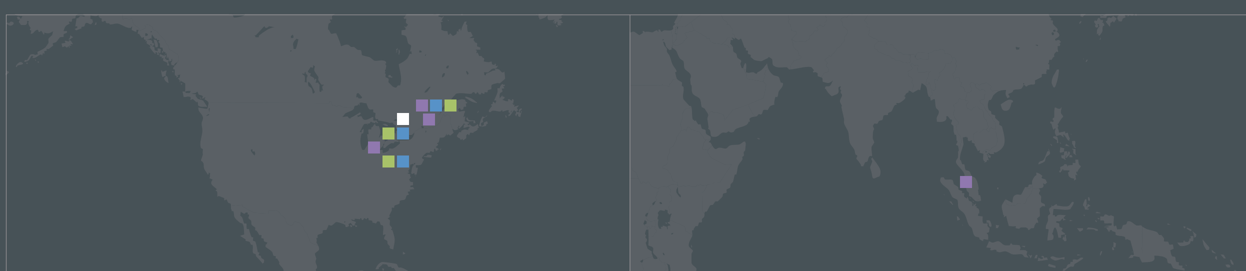
Revenue

- Compounding
- Automotive
- Defense
- Industrial



Who We are





Locations

- Head Office
- Research Facility
- Compounding/Mixing
- Engineered Products

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To Our Shareholders

Q1 2015 versus Q1 2014

- Net sales increased by 7.6% to $76.9 million
- Gross margin improved to 16.2% from 13.2%
- EPS increased by 27.3% to US $0.14 from US $0.11
- EBITDA increased by 12.6% to $7.1 million

Overview

The first quarter of 2015, showed continued momentum across all of our divisions, demonstrating management's focus on executing our business plan with a keen focus on margin improvement and delivering excellent returns to our shareholders. With the integration of AirBoss Flexible Products Co. ("Flexible") largely complete, their management is now focused on implementing initiatives to optimize operational efficiencies and leverage the benefit that being part of a larger, diverse company provides. This is a consistent theme across our Company. Each of our businesses operates in increasingly competitive industries and management is intent on diversifying our customer base, optimizing our operations and reducing our reliance on any one particular industry. The first quarter of 2015 marked strong progress in this direction with positive contributions from each of our businesses.

Rubber Compounding

While volumes expressed as pounds shipped improved marginally, gross margins at Rubber Compounding improved materially. While revenue and gross margin as a percentage are both influenced by raw material prices (which are passed on to customers) as well as the proportion of tolling in our product mix, we are very pleased with the improvement in gross margin dollars. The improvement is a result of our continual focus on operating efficiencies and reducing conversion costs within the business. Further improvements will come from our continued efforts to diversify our customer base and product mix as a leading supplier of higher end compounds into new end use markets and increasing capacity utilization.

AirBoss Engineered Products

Defense had a significantly better quarter versus the prior year, benefiting from the impact of starting fulfillment of a previously announced US Department of Defense ("DoD") contract for overboots and as a result experienced triple digit growth over the same period last year. Deliveries against this contract will continue through the remainder of the year. Efforts to develop overseas markets continue to gain traction and we expect these to play an increasingly important role in the future of our defense business. Our newly developed low burden gas mask, which will be commercialized later in 2015, as well as our continued R&D in new products should position us well to benefit from the inevitable increase in defense spending.

Industrial Products experienced volatility among certain of its customer segments, however overall volumes were consistent with the first quarter of last year. While management anticipates continued volatility with certain customers in some of its market segments, it currently has the largest number of business development projects underway with new customers, which are generating positive feedback. We are optimistic that these translate into new accounts in the near future.

Automotive

Flexible Products is benefiting from the strong North American automotive manufacturing environment and projections are that this will continue for the remainder of 2015. Volume increased as a result of both higher content per vehicle, and through our new product. Management expects to continue introducing approximately 40 new products this year, similar to that of 2014. As well, increased demand for more fuel efficient vehicles translates into lighter weight vehicles, which are more subject to vibration, organically expanding the potential market for our noise dampening and anti-vibration products.

To Our Shareholders

Outlook

In Rubber Compounding, volume increases in our mining, solid tire and defense segments more than offset declines in off road tire retreading, which were negatively impacted by the severe winter weather conditions in the US, and the forecasted decline in our conveyor belting segment. We do not forecast the conveyor belting segment to change materially in the balance of 2015 and we intend to continue focusing our efforts on increasing capacity utilization, diversifying our customer base and to service new and existing customers as a leading supplier of higher end compounds.

Engineered Products, which includes defense, will benefit through 2015 from the continued delivery of protective overboots against the $15M contract with the US Department of Defense. The ongoing development of overseas markets for defense will also provide additional benefit. We are optimistic we have seen the bottom of the cycle, however we expect the overall softness in defense spending to continue throughout the year with improvements in 2016 and beyond.

The Automotive business is expected to continue to perform strongly for the remainder of the year as a result of forecasted continued strength in the US automotive manufacturing sector and planned mid-year new product launches.

As we look to the rest of 2015, we remain enthusiastic about the opportunities before us. Our focus is on optimizing our capacity utilization, additional manufacturing and operational efficiency initiatives and strategic growth both organically and through potential acquisitions.

P.G. Schoch
Chairman and CEO

Lisa Swartzman
President

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of May 13, 2015 and should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and Notes for the three-month period ended March 31, 2015 and the MD&A for the year ended December 31, 2014. The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the first quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR at **www.sedar.com** and on the Company's website at **www.airbossofamerica.com**.

Certain statements contained or incorporated by reference herein, including those that express management's expectations or estimates of future developments or AirBoss' future performance, constitute "forward-looking statements" within the meaning of applicable securities laws, and can generally be identified by words such as "will", "may", "could", "expects", "believes", "anticipates", "forecasts", "plans", "intends" or similar expressions. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events and performance.

Forward-looking statements are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking statements involve known and unknown contingencies, uncertainties and other risks that may cause AirBoss' actual financial results, performance or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: impact of general economic conditions; its dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss' ability to maintain existing customers or develop new customers in light of increased competition; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage caused by it and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction. This list is not exhaustive of the factors that may affect any of AirBoss' forward-looking statements.

All of the forward-looking information in this quarterly report is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this quarterly report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly these forward-looking statements except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2014 Annual Report to Shareholders under the heading "Risk Factors".

Operational Highlights

Q1 2015 versus Q1 2014

- Net sales increased by 7.6% to $76.9 million
- Gross margin improved to 16.2% from 13.2%
- EPS increased by 27.3% to US $0.14 from US $0.11
- EBITDA increased by 12.6% to $7.1 million

Selected Financial Information

In thousands of US dollars, except shares and per share amounts

Three months ended March 31	2015	2014
Financial results:		
Net sales	**76,856**	71,416
Net income	**3,180**	2,481
Net income per share		
– Basic	**0.14**	0.11
– Diluted	**0.14**	0.11
EBITDA (non-IFRS financial measure)	**7,058**	6,268
Net cash used in operating activities	**(5,885)**	(9,923)
Dividends declared per share	**0.06**	0.05
Capital expenditures	**1,227**	447
Financial position:	**March 31, 2015**	December 31, 2014
Total assets	**183,576**	188,906
Term loan and other debt	**48,857**	50,948
Shareholders' equity	**92,273**	90,035
Outstanding shares	**22,998,760***	22,998,760

**22,998,760 at May 13, 2015*

Non-IFRS Financial Measure

This MD&A is based on reported income in accordance with International Financial Reporting Standards ("IFRS") and on the following non-IFRS financial measure:

EBITDA	Earnings before interest income, interest expense, income taxes and depreciation and amortization

EBITDA, a non-IFRS measure, is directly derived from the consolidated financial statements, but does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to a similar measure presented by other issuers.

The Company discloses EBITDA, a financial measurement used by interested parties and investors to monitor the ability of an issuer to generate cash from operations for debt service, financing working capital and capital expenditures and paying dividends. EBITDA is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

A reconciliation of this measure is presented below:

In thousands of US dollars	2015	2014
EBITDA:		
Net Income	**3,180**	2,481
Finance costs	**510**	580
Depreciation and amortization of intangible assets	**2,169**	2,075
Income tax expense	**1,199**	1,132
EBITDA	**7,058**	6,268

RESULTS OF OPERATIONS – 2015 compared to 2014

NET SALES

Net Sales increased by 7.6% in Q1 2015 compared to the same period last year primarily from significant year-over-year improvements in AirBoss Engineered Products ("AEP") defense business. Additional strong sales increases from Automotive were partially offset by year-over-year declines in Rubber Compounding and industrial products business within AEP. Savings from lower raw material prices are passed along to Rubber Compounding and Engineered Products customers and contribute to the revenue declines in those businesses.

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Total
Net Sales	**2015**	**31,907**	**11,142**	**33,807**	**76,856**
	2014	32,658	8,026	30,732	71,416
Increase (decrease) $		(751)	3,116	3,075	5,440
Increase (decrease) %		(2.3)	38.8	10.0	7.6

Rubber Compounding

Q1 2015 sales volume, expressed in pounds shipped, increased by 1.6% as compared to Q1 2014, while revenues decreased by $751 over the same period. The decrease in sales was primarily a result of lower raw material prices, which were down approximately 8% over prior year, as savings were passed on to customers.

As a percentage of volume, tolling sales declined by 1.1% compared to the same quarter last year. Volumes for the non-tolling portion of the business were up 3.0% versus Q1 2014, with declines in off road tire ("OTR") retreading and conveyor belts more than offset by increases in mining, solid tire and defense.

AirBoss Engineered Products

AEP sales increased by $3,116 compared to Q1 2014, primarily due to increases in the defense business. The Industrial Product business offset some of the growth from defense primarily due to lower raw material costs as these savings are passed along to customers.

In the defense business, sales increased by over 300% primarily related to increased volume in CBRN ("Chemical, Biological, Radiological, Nuclear") overboots related to the previously announced Department of Defense ("DoD") overboot contract.

Industrial Products sales decreased by 10.5% from Q1 2014 as the result of savings in raw material pricing which is passed along to customers.

Automotive

Automotive products sales, through AirBoss Flexible Products ("Flexible") increased by 10.0% compared with the same period last year. Improved customer penetration through the sale of a wider product assortment to key customers improved sales volumes and drove the majority of the revenue increase. Changes in product mix also contributed to the higher revenue figure.

GROSS MARGIN

Gross margin for the quarter ended March 31, 2015 was $12,481 (2014: $9,450), an increase of $3,031 from 2014. This is largely attributable to improved dollar margins in Rubber Compounding and AEP. Lower conversion costs in Rubber Compounding stemming from a continued focus on control over raw material purchases and manufacturing productivity initiatives, as well as a change in product mix at AEP, were the main factors contributing to the margin improvements.

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Total
Gross Margin	**2015**	**4,984**	**2,114**	**5,383**	**12,481**
	2014	3,299	1,064	5,087	9,450
Increase (decrease) $		1,685	1,050	296	3,031
% of net sales	**2015**	**15.6**	**19.0**	**15.9**	**16.2**
	2014	10.1	13.3	16.6	13.2

RESULTS OF OPERATIONS – 2015 compared to 2014 (cont'd)

Rubber Compounding

Gross margin for Rubber Compounding increased by $1,685 for the first quarter compared to 2014 largely due to lower conversion costs.

The gross margin percentage improved over 2014 through continued focus on productivity initiatives, fixed cost reduction activities, greater capacity utilization and more control over raw material purchasing.

AirBoss Engineered Products

Gross margin for AirBoss Engineered Products increased by $1,050 compared to Q1 2014 primarily due to the partial fulfillment of a large order for CBRN overboots in Q1 2015.

The percent margin improved as defense products are more complex and typically have a higher margin than other engineered products. Additionally, the gross margin as a percent of sales improved due to cost reduction initiatives, control over raw material purchases and other production efficiencies that have been implemented.

Automotive

Gross margin for Flexible was better by $296 in Q1 2015 compared to Q1 2014. This improvement in gross margin dollars is entirely from higher volumes.

Margins as a percentage of sales were down in Q1 2015 versus 2014 primarily due to the timing of key account annual efficiency based price reductions.

OPERATING EXPENSES

Operating expenses increased for the period by $2,335 primarily due to equity based compensation.

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Unallocated Corporate Costs	Total
Operating Expenses	**2015**	**1,967**	**1,566**	**2,229**	**1,830**	**7,592**
	2014	1,680	1,535	2,030	12	5,257
Increase (decrease) $		287	31	199	1,818	2,335
% of net sales	**2015**	**6.2**	**14.1**	**6.6**	**N/A**	**9.9**
	2014	5.1	19.1	6.6	N/A	7.4

Rubber Compounding

For the quarter ended March 31, 2015 Rubber Compounding expenses increased by $287. This was primarily driven by increases in salaries and benefits, sales commissions of $108 and provisions for doubtful accounts of $77, increases in corporate charges of $75 and foreign exchange losses of $89. This was offset by R&D credits of $50.

AirBoss Engineered Products

For the quarter ended March 31, 2015 AEP's expenses increased by $31.

The increases are primarily related to lower R&D subsidies of $118. This was partially offset by decreases in salaries and benefits of $57 and R&D projects of $89.

Automotive

Automotive's operating expenses increased by $199. This was mainly due to increases in salaries and benefits of $182 due to new hires, corporate charges of $71, meals and travel of $33 and other expenses of $13. These were partially offset by decreases in recruiting expenses of $41, bad debts of $15 and professional fees of $44.

Unallocated Corporate Costs

Unallocated corporate costs increased $1,818. General and administrative expenses increased by $1,786 due to additional employee costs of $1,834 related to the stock appreciation rights plan, restricted stock units and stock options and increased professional fees of $208. This was partially offset by a decrease in salary and payroll costs of $248.

RESULTS OF OPERATIONS – 2015 compared to 2014 (cont'd)

FINANCE COST

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Corporate Costs	Total
Finance cost	**2015**	**678**	**4**	**-**	**(172)**	**510**
	2014	685	4	-	(109)	580
Increase (decrease) $		(7)	-	-	(63)	(70)
% of net sales	**2015**	**2.1**	**0.1**	**N/A**	**N/A**	**0.7**
	2014	2.1	0.1	N/A	N/A	0.8

Finance costs in 2015 were $510 for the quarter (2014: $580).

INCOME TAX EXPENSE

The Company recorded an income tax expense of $1,199 (2014: $1,132) or an effective income tax rate for the quarter of 27.4% (2014: 31.3%). The statutory rate in Canada in 2014 was 25%.

The Company conducts business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company's effective tax rate varies quarter to quarter depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives and non-tax-deductible expenses.

NET INCOME AND EARNINGS PER SHARE

Net income in 2015 amounted to $3,180 compared to $2,481 in 2014 primarily attributable to the positive impact of an overall increase to net sales. The basic and fully diluted net earnings per share were $0.14 (2014- $0.11) and $0.14 (2014- $0.11) based on basic and fully diluted shares outstanding of 22,998,760 (2014-22,749,156) and 23,441,907 (2014-22,966,032) respectively.

QUARTERLY INFORMATION

In thousands of US dollars Quarter Ended	Net Sales	Net Income (loss)	Net Income (loss) per share Basic	Diluted
2015				
March 31, 2015	**$76,856**	**$3,180**	**$0.14**	**$0.14**
2014				
December 31, 2014	78,043	3,603	0.16	0.16
September 30, 2014	74,219	3,861	0.17	0.17
June 30, 2014	79,473	3,780	0.17	0.16
March 31, 2014	71,416	2,481	0.11	0.11
2013				
December 31, 2013	70,267	(779)	(0.03)	(0.03)
September 30, 2013	52,040	2,024	0.09	0.09
June 30, 2013	59,659	3,060	0.14	0.13

Items impacting comparability of quarters

- The fourth quarter of 2013 was impacted by transaction costs, increased stock compensation and offset by the contribution to earnings of Flexible.
- All quarters since the fourth quarter ended December 31, 2013 were impacted by the business acquisition of Flexible, impacting net sales and profit.
- The first quarter of 2015 was impacted by additional employee costs of $1,834 related to the stock appreciation rights plan and restricted stock units as the share price increased.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Cash flows for the first quarter of 2015 were positively impacted by an overall increase to net sales compared to the same quarter in 2014. This was a result of positive increases in both sales volume (expressed in pounds shipped) and non-tolling business at Rubber Compounding, delivery of protective overboots at Engineered Products and the continued strong performance at Automotive.

The Company expects to fund its 2015 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and committed borrowing capacity. The operating facility provides financing up to $40,000 (2014: $40,000). No amount was drawn against this facility at March 31, 2015.

In the quarter ended March 31, 2015, cash of $5,885 (2014: $9,923) was used in operations, $1,227 (2014: $447) was used for investing activities and $2,325 (2014: $2,482) was used in financing activities. Cash and cash equivalents decreased by $9,437 from $13,139 to cash balance of $3,692 adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

The factors contributing to the decreased net use of cash in operating activities compared to 2014 include:

- Higher income of $699 related to all segments of the business improved performance
- Cash used for working capital was $12,636 (2014: $14,392) for the quarter ended March 31, 2015

Accounts Receivable increased $7,496 of which, $5,858 increase in Automotive products and $2,194 in Rubber Compounding is consistent with increased sales and extended credit terms with certain customers and is partially offset by the decrease in Engineered Products due to timely collection of receivables. 83% of outstanding receivables are within credit terms which is consistent with December 31, 2014 balances.

Inventory at Rubber Compounding has decreased by $1,163 due to timing of purchase deliveries and lower raw material costs. Inventory of Automotive and Engineered Products have decreased $586 and $169 respectively reflecting the draw down of built-up inventory from shipments in the first quarter of 2015.

Prepaid expenses decreased by $180 reflecting lower payments mainly by Rubber Compounding and Engineered Products compared to the same period in 2014.

Accounts payable decreased by $7,238 due to timing of payments.

Income tax paid was $1,023, $436 higher compared to 2014 from the timing of required remittances and higher taxable income.

The Company paid interest of $439 during the quarter (2014: $640).

Investing Activities

Property, Plant and Equipment

In 2015, Rubber Compounding invested $10 for environmental initiatives and $105 to replace manufacturing equipment in its Kitchener's facility.

AEP industrial products invested $168 to replace industrial products machinery and equipment and to support product research, $22 for health and safety, $123 to support growth, and $59 for cost saving initiatives. Defense invested $140 to support growth and $12 to replace computer equipment.

Automotive invested $157 to support growth and $279 to replace and upgrade existing software, trucks and presses.

Corporate invested $83 in property, plant and equipment to support growth initiatives.

Intangible assets

The Company invested $61 (2014: $156) in software to support customer requirements, management, costing, maintenance and ancillary systems.

Financing activities

At March 31, 2015, AirBoss had $nil drawn against its operating facility.

During the quarter, the required principal repayments of $1,333 (2014: $1,356) were made pursuant to the loan agreement. The unused line of credit at March 31, 2015 was $40,000 (2014: $39,720).

The Company expects to fund its 2015 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and committed borrowing capacity.

The Company paid dividends of $992 during the quarter (2014: $1,069). No shares were purchased for cancellation under the Normal Course Issuer Bid during the quarter and all of fiscal year 2014.

Government assistance

During the first quarter of 2015, AEP recognized grants of $163 to support certain initiatives (2014: $281) which were offset against expenses.

During the first quarter of 2015 and 2014, the Rubber Compounding and Automotive segments recognized no grants.

Scientific research and investment tax credit of $50 was recognized in the first quarter of 2015 (2014: $nil); R&D costs were adjusted accordingly.

Dividends

A quarterly dividend of $0.06 per share was declared on March 18, 2015 and paid April 16, 2015. Total annual dividends declared during 2014 were $0.20 per common share.

Outstanding shares

As at May 13, 2015 the Company had 22,998,760 common shares outstanding and 1,048,000 share options granted and outstanding expiring between August 2018 and March 2020.

TRANSACTIONS WITH RELATED PARTIES

Included in the operating lease commitments was a rental agreement for corporate office space between the Company and a company controlled by the Chairman and CEO of the Company. The monthly lease rate approximates fair market rental value. During the period, the Company paid rent for the corporate office of $37 (2014: $42).

During the period, the Company paid fees for the use of a facility in South Carolina of approximately $5 (2014: $5) to a company in which the Chairman and CEO is an officer.

In addition, AirBoss Flexible Products Co. paid rent to a company controlled by an employee of the Company to utilize its facilities. Rent paid to this related party for the period was $263.The lease provides for monthly payments equivalent to an annual rental of $1,050 and expires in 2019.

During 2014, the Company invested $550 in the form of a convertible promissory note in a company for which the Deputy Chairman is the Chairman. This note can be convertible to an equity interest under the following conditions: (1) the company has completed "qualified financing" raising $1 million in gross proceeds (excluding the company's loan); (2) if no "qualified financing" takes place prior to the maturity date, the Company has the option to convert into common stock within 60 days prior to the maturity date of the note. The note bears interest at 8% per annum. Unless converted or prepaid earlier, principal and accrued interest on the note will be due on April 11, 2016.

During the period, interest income on this convertible promissory note of $11 (2014: $nil) is recorded on the statement of financial position included in other assets and recorded on the statement of income as interest income.

The convertible promissory note is accounted for as a loan receivable with separation of the conversion options that represent embedded derivatives. The loan is initially recognized at its fair value by discounting future cash flows at market interest rate for similar financial debt without the conversion options and is subsequently measured at amortized cost. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2014, the Company provided share purchase loans of $1,000 CAD each to both the President and Chief Financial Officer to purchase the Company stock. The promissory notes are due upon earlier of the disposition date of all or any part of the pledged securities or November 24, 2019. The promissory notes bear interest at 1% annually will full recourse and interest is due and payable semi-annually. 201,000 shares of the Company having a fair value $2,453 were pledged as collateral. At March 31, 2015, the promissory notes of $1,585, including accrued interest of $4 were included in other assets.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At March 31, 2015, the Company had contracts to sell US $7,837 in 2015 for CAD $9,000. The fair value of these contracts, representing a loss of $731 is recorded on the statement of financial position included in trade and other payables, including derivatives and changes in fair value recorded on the statement of income as expense.

At December 31, 2014, the Company had contracts to sell US $10,460 in 2015 for CAD $12,000. The fair value of these contracts, representing a loss of $116 was recorded on the statement of financial position included in trade and other payables, including derivatives and changes in fair value recorded on the statement of income as expense.

Interest rate swap

During 2014, the Company entered into an interest rate swap agreement for a notional amount of $22.5 million. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.98%. The swap agreement matures on February 27, 2017.

During the first quarter of 2015, the net interest expense of the swap agreement was $47 and $61 was paid; (2014: $17 and $9 was paid).

For the year ended December 31, 2014, the fair value of this agreement, representing a loss of $76, was recorded on the statement of financial position included in loans and borrowings and changes in fair value were recorded on the statement of income as finance costs.

The Company has entered into this interest rate swap agreement in order to fix the interest rate on a portion of its term loan and it does not intend to hold for trading or speculation purposes.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2014 and have been applied consistently to all periods presented in the condensed consolidated financial statements.

The accounting policies have been applied consistently by entities within the group.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In July 2014 the IASB finalized IFRS 9, "Financial Instruments". The standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The new standard includes revised guidance on the classification and measurement of financial assets and liabilities, and hedge accounting. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

On December 18, 2014 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

In Rubber Compounding, volume increases in our mining, solid tire and defense segments more than offset declines in off road tire retreading, which were negatively impacted by the severe winter weather conditions in the US, and the forecasted decline in our conveyor belting segment. We do not forecast the conveyor belting segment to change materially in the balance of 2015 and we intend to continue focusing our efforts on increasing capacity utilization, diversifying our customer base and to service new and existing customers as a leading supplier of higher end compounds.

Engineered Products, which includes defense, will benefit through 2015 from the continued delivery of protective overboots against the $15M contract with the US Department of Defense. The ongoing development of overseas markets for defense will also provide additional benefit. We are optimistic we have seen the bottom of the cycle, however we expect the overall softness in defense spending to continue throughout the year with improvements in 2016 and beyond.

The Automotive business is expected to continue to perform strongly for the remainder of the year as a result of forecasted continued strength in the US automotive manufacturing sector and planned mid-year new product launches.

As we look to the rest of 2015, we remain enthusiastic about the opportunities before us. Our focus is on optimizing our capacity utilization, additional manufacturing and operational efficiency initiatives and strategic growth both organically and through potential acquisitions.

May 13, 2015

P.Gren Schoch	**Wendy Ford**
Chairman and Chief Executive Officer	Chief Financial Officer

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

For the three month periods ended March 31, 2015 and March 31, 2014.

Pursuant to Ontario Securities Legislations' National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company for the interim periods ended March 31, 2015 and March 31, 2014 have been prepared in accordance with IAS 34 Interim Financial reporting and are the responsibility of the Company's management.

The Company's independent auditors, KPMG LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Dated this May 13, 2015

Condensed Consolidated Statement of Financial Position

Unaudited

As at: *In thousands of US dollars*	*Note*	**March 31, 2015**	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		**3,692**	13,139
Trade and other receivables	*4*	**49,958**	42,546
Prepaid expenses		**2,337**	2,536
Inventories	*5*	**37,737**	39,655
Current income taxes receivable	*12*	**558**	652
Total current assets		**94,282**	98,528
Non-current assets			
Property, plant and equipment		**54,867**	55,334
Intangible assets		**31,798**	32,277
Other assets	*6*	**2,629**	2,767
Total non-current assets		**89,294**	90,378
Total assets		**183,576**	188,906
LIABILITIES			
Current liabilities			
Loans and borrowings	*7*	**11,010**	11,663
Trade and other payables, including derivatives		**31,679**	38,437
Employee benefits	*14*	**1,157**	1,445
Provisions	*9*	**4,281**	2,956
Total current liabilities		**48,127**	54,501
Non-current liabilities			
Loans and borrowings	*7*	**37,847**	39,285
Employee benefits	*14*	**572**	434
Provisions	*9*	**367**	280
Deferred income tax liabilities	*12*	**4,390**	4,371
Total non-current liabilities		**43,176**	44,370
Total liabilities		**91,303**	98,871
EQUITY			
Share capital	*10*	**37,784**	37,784
Contributed surplus	*10*	**1,235**	1,074
Retained earnings		**53,254**	51,177
Total equity		**92,273**	90,035
Total liabilities and equity		**183,576**	188,906

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Income

Unaudited

For the three-month period ended March 31 *In thousands of US dollars*	*Note*	**2015**	2014
Revenue		**76,856**	71,416
Cost of sales		**(64,375)**	(61,966)
Gross profit		**12,481**	9,450
General and administrative expenses		**(6,235)**	(4,219)
Selling and marketing expenses		**(1,263)**	(1,202)
Research and development expenses	*13*	**(483)**	(533)
Other income		**389**	697
Operating expenses		**(7,592)**	(5,257)
Results from operating activities		**4,889**	4,193
Finance costs	*14*	**(510)**	(580)
Profit before income tax		**4,379**	3,613
Income tax expense	*12*	**(1,199)**	(1,132)
Profit and total comprehensive income for the period		**3,180**	2,481
Earnings per share			
Basic	*11*	**0.14**	0.11
Diluted	*11*	**0.14**	0.11

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

Unaudited

	Attributable to equity holders of the Company			
In thousands of US dollars	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2014	37,325	1,735	42,080	81,140
Profit and total comprehensive income for the period	-	-	2,481	2,481
Contributions by and distributions to owners				
Stock options expensed	-	113	-	113
Share options forfeited	-	(123)	-	(123)
Share options exercised	70	(126)	-	(56)
Dividends to equity holders	-	-	(1,027)	(1,027)
Total contributions by and distributions to owners	70	(136)	(1,027)	(1,093)
Balance at March 31, 2014	37,395	1,599	43,534	82,528
Balance at January 1, 2015	37,784	1,074	51,177	90,035
Profit and total comprehensive income for the period	-	-	3,180	3,180
Contributions by and distributions to owners				
Stock options expensed	-	161	-	161
Dividends to equity holders	-	-	(1,103)	(1,103)
Total contributions by and distributions to owners	-	161	(1,103)	(942)
Balance at March 31, 2015	37,784	1,235	53,254	92,273

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

Unaudited

For the three-month period ended March 31 *In thousands of US dollars*	*Note*	**2015**	2014
Cash flows from operating activities			
Profit for the year		**3,180**	2,481
Adjustments for:			
Depreciation		**1,629**	1,557
Amortization of intangible assets		**540**	518
Loss on disposal of property, plant and equipment		**4**	-
Finance costs	*14*	**510**	580
Interest on other assets	*6*	**(15)**	-
Change in fair value of interest swaps	*8*	**75**	62
Unrealized foreign exchange gains		**(764)**	(712)
Share-based payment expense	*10*	**1,913**	210
Share options forfeited		**-**	(123)
SRED tax credits	*13*	**(50)**	-
Current income tax expense	*12*	**1,180**	631
Deferred income tax expense	*12*	**19**	501
Post-retirement benefits expense	*14*	**(8)**	(9)
		8,213	5,696
Change in inventories		**1,918**	(4,117)
Change in trade and other receivables		**(7,496)**	(6,814)
Change in prepayments		**180**	(148)
Change in trade and other payables		**(7,238)**	(3,313)
Net change in non-cash or working capital balances		**(12,636)**	(14,392)
Interest paid		**(439)**	(640)
Income tax paid		**(1,023)**	(587)
Net cash used in operating activities		**(5,885)**	(9,923)
Cash flows used in investing activities			
Acquisition of property, plant and equipment		**(1,166)**	(291)
Acquisition of intangible assets		**(61)**	(156)
Net cash used in investing activities		**(1,227)**	(447)
Cash flows from financing activities			
Repayment of borrowings		**(1,333)**	(1,356)
Tax paid on exercise of share options		**-**	(57)
Dividends paid	*10*	**(992)**	(1,069)
Net cash used in financing activities		**(2,325)**	(2,482)
Net decrease in cash and cash equivalents		**(9,437)**	(12,852)
Cash and cash equivalents at January 1		**13,139**	16,904
Effect of exchange rate fluctuations on cash held		**(10)**	17
Cash and cash equivalents at March 31		**3,692**	4,069

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2015 and March 31, 2014
(Amounts in thousands of US dollars, except per share amounts, unless otherwise specified)

NOTE 1 REPORTING ENTITY

AirBoss of America Corp. ("the Company") is a public company listed on the Toronto Stock Exchange, incorporated and domiciled in Canada. The address of the Company's registered office is 16441 Yonge Street, Newmarket, Ontario, Canada. The condensed consolidated financial statements of the Company as at and for the three-month period ended March 31, 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group has operations in Canada and the US and primarily is involved in the manufacture of high quality rubber-based products to resource, military, automotive and industrial markets (see Note 15).

NOTE 2 BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements should be read in conjunction with the Company's 2014 audited annual consolidated financial statements and accompanying notes.

SunBoss Chemical Ltd. ("SunBoss") was incorporated in December 2007 as a joint venture under the laws of Ontario to source chemicals used in the rubber compounding business for both internal consumption and external sales to customers. On January 1, 2015, the Company acquired the remaining 50% interest in the joint venture, SunBoss for $nil proceeds. The financial results of SunBoss are included in the financial disclosure provided in respect of the Rubber Compounding business.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2015.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2014 and have been applied consistently to all periods presented in these condensed consolidated financial statements.

The accounting policies have been applied consistently by entities within the group.

New Standards and interpretations not yet adopted

In July 2014 the IASB finalized IFRS 9, "Financial Instruments". The standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The new standard includes revised guidance on the classification and measurement of financial assets and liabilities, and hedge accounting. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

On December 18, 2014 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

NOTE 4 TRADE AND OTHER RECEIVABLES

In thousands of US dollars	**March 31, 2015**	December 31, 2014
Trade receivables	**49,246**	41,860
Less: allowance for doubtful accounts	**(376)**	(254)
	48,870	41,606
Other receivables	**1,088**	940
	49,958	42,546

Impairment losses

The aging of trade receivables at the reporting date was:

	March 31, 2015		December 31, 2014	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**40,942**	**-**	34,601	-
Past due 0-30 days	**4,546**	**-**	4,687	-
Past due 31-120 days	**3,758**	**(376)**	2,572	(254)
	49,246	**(376)**	41,860	(254)

The continuity of the allowance for doubtful accounts was:

In thousands of US dollars	**March 31, 2015**	December 31, 2014
Balance at January 1	**(254)**	(181)
Impairment loss recognized	**(122)**	(337)
Collected	**-**	22
Revise estimate/write-off	**-**	242
Balance	**(376)**	(254)

NOTE 5 INVENTORIES

In thousands of US dollars	**March 31, 2015**	December 31, 2014
Raw materials and consumables	**22,619**	24,701
Work in progress	**2,864**	2,705
Finished goods	**8,682**	8,297
Inventory in transit	**3,938**	3,968
Other inventory	**967**	1,065
	39,070	40,736
Provisions	**(1,333)**	(1,081)
	37,737	39,655

The adjustment of provisions was recorded in cost of sales in the respective periods as a charge of $402 in 2015 and a recovery of $115 in 2014.

NOTE 6 OTHER ASSETS

In thousands of US dollars	Convertible promissory Note	Share purchase loan	10% equity investment	Other	Total
Balance at January 1, 2014	-	-	313	155	468
Convertible promissory note	550	-	-	-	550
Share purchase loans	-	1,774	-	-	1,774
Accrued interest	32	2	-	-	34
Effect of movements in exchange rates	-	(50)	-	(9)	(59)
Balance at December 31, 2014	582	1,726	313	146	2,767
Accrued interest	11	4	-	-	15
Effect of movements in exchange rates	-	(145)	-	(8)	(153)
Balance at March 31, 2015	593	1,585	313	138	2,629

NOTE 7 LOANS AND BORROWINGS

The Company is not in default, nor has it breached any terms of its loan agreement.

During the first quarter of 2015, the Company accrued $327 and paid $340 interest expense on the term loan.

NOTE 8 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

Foreign exchange hedge

At March 31, 2015, the Company had contracts to sell US $7,837 in 2015 for CAD $9,000 (December 31, 2014: sell US $10,460 in 2015 for CAD $12,000). The fair value of these contracts, representing a loss of $731 (2014: loss of $116) is recorded on the statement of financial position included in trade and other payables, including derivatives and changes in fair value recorded on the statement of income as expense.

Interest rate swap

During 2014, the Company entered into an interest rate swap agreement for a notional amount of $22.5 million. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD LIBOR and the fixed rate of 0.98%. The swap agreement matures on February 27, 2017.

During the first quarter of 2015, the net interest expense of the swap agreement was $47 and $61 was paid; (2014: $17 and $9 was paid).

For the year ended December 31, 2014, the fair value of this agreement, representing a loss of $76, was recorded on the statement of financial position included in loans and borrowings and changes in fair value were recorded on the statement of income as finance costs.

The Company has entered into this interest rate swap agreement in order to fix the interest rate on a portion of its term loan and it does not intend to hold for trading or speculation purposes.

NOTE 9 PROVISIONS

In thousands of US dollars	Site restoration	Stock appreciation rights	Other	Total
Balance at January 1, 2014	94	804	-	898
Provisions accrued during the year	-	2,318	211	2,529
Foreign exchange	(8)	(166)	(17)	(191)
Balance at December 31, 2014	86	2,956	194	3,236
Provisions accrued during the year	**-**	**1,646**	**112**	**1,758**
Foreign exchange	**(7)**	**(321)**	**(18)**	**(346)**
Balance at March 31, 2015	**79**	**4,281**	**288**	**4,648**

No legal provisions are recognized at March 31, 2015 and March 31, 2014.

Stock Appreciation Rights Plan

During 2011, the Company established a stock appreciation rights plan ("SAR Plan") to reward selected directors and employees.

As at March 31, 2015, 609,000 rights were outstanding with a reference price ranging between CAD $5.16 and CAD $5.25. Since 2012, no stock appreciation rights were granted to NEOs, directors and advisors to the directors. The stock appreciation rights granted in 2011 vest and are exercisable four years after the grant date and expire December 31, 2015. When exercised, cash payments net of tax withholdings are made based on the difference between the reference price at the time of the grant and the trading 10 day weighted average market price of the Company's common shares on the vesting date.

The Company recognized as employee costs $1,646 (2014: $95) relating to the SAR Plan, primarily as a resut of the appreciation in share price.

Equity Compensation Plan

During 2014 and 2015, the Company committed to providing certain executives with additional compensation based on the performance of 217,000 shares in aggregate, under a restricted stock units plan subject to shareholder approval. During the first quarter of 2015, 153,000 contingent equity grants were issued. The contingent grants will vest in three years and have no performance requirements. These incentive grants will be made pursuant to the terms and conditions of the 2015 Omnibus Plan, assuming such plan is approved by the shareholders at the Annual General and Special Meeting of Shareholders to be held on May 14, 2015. The details surrounding the terms and conditions of the 2015 Omnibus Plan are available in the Annual Information Circular posted on SEDAR at www.sedar.com. At March 31, 2015 the Company has recognized as employee costs $112 (2014: $nil) related to the plan.

NOTE 10 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Issued share capital is as follows:

In thousands of shares	**March 31, 2015**	March 31, 2014	December 31, 2014
January 1	**22,999**	22,748	22,748
Exercise of share options	**-**	18	251
Balance	**22,999**	22,766	22,999

Issuance of common shares

During the first quarter of 2015, nil options (2014: 70,000) were exercised on a cash-less basis for shares (2014: 18,293 shares).

Capital and other components of equity

Contributed surplus

Contributed surplus is comprised of the difference between the book value per share and the purchase price paid for shares acquired for cancellation by the Company and stock-based compensation of employees and non-employees.

Share options outstanding as at March 31

	2015	2014
Share options granted and outstanding	**1,048,000**	1,318,750

During the period, 70,000 options were granted. No share-based payment rewards were granted during the first quarter of 2014. No options were exercised or forfeited during the first quarter of 2015. 70,000 options were exercised during the first quarter of 2014 and 93,750 options were forfeited.

Share option expense

Inputs for measurement of grant date fair values

The grant date fair value of all options were measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the stock options are the following:

Fair value of share options and assumptions

In Canadian dollars	March 31, 2015
Fair value at grant date	$4.12
Share price at grant date	15.46
Exercise price	15.40
Expected volatility (weighted average volatility)	34.6%
Option life (expected weighted average life)	5 years
Expected dividends	1.55%
Risk-free interest rate (based on government bonds)	0.73%

During the period, the Company recognized as employee costs $162 (2014: a recovery of $9) relating to option grants in general and administrative expenses of the statement of income. In the first quarter of 2014, this included a recovery of $123 related to the forfeiture of 93,750 options.

Dividends

Dividends on common shares were paid in the quarter to shareholders of record as follows:

	2015		2014	
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
April 2, 2015	**0.06**	**April 16, 2015**	0.05	April 17, 2014

The dividend payable at March 31, 2015 was $1,089 (2014: $1,029).

NOTE 11 EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted earnings per share:

March 31 *In thousands of US dollars except per share amounts*	**2015**	2014
Numerator for basic and diluted earnings per share:		
Net income	**3,180**	2,481
Denominator for basic and diluted earnings per share:		
Basic weighted average number of shares outstanding	**22,999**	22,749
Dilution effect of stock options	**443**	217
Diluted weighted average number of shares outstanding	**23,442**	22,966
Net income per share:		
Basic	**0.14**	0.11
Diluted	**0.14**	0.11

At March 31, 2015, 70,000 options (2014: nil) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTE 12 INCOME TAXES

March 31 *In thousands of US dollars*	**2015**	2014
Current tax expense:		
Current period	**1,180**	631
	1,180	631
Deferred tax expense:		
Origination of reversal of temporary differences	**19**	508
Adjustment for prior periods	**-**	(7)
	19	501
Total income tax expense	**1,199**	1,132

NOTE 13 GOVERNMENT ASSISTANCE

During the first quarter of 2015, AEP recognized grants of $163 to support certain initiatives (2014: $281) which were offset against expenses.

During the first quarter of 2015 and 2014, the Rubber Compounding and Automotive segments recognized no grants.

Scientific research and investment tax credit of $50 was recognized in the first quarter of 2015 (2014: $nil); R&D costs were adjusted accordingly.

NOTE 14 POST RETIREMENT BENEFITS

March 31 *In thousands of US dollars*	Executive Supplemental Plan **2015**	 2014	Other benefit plan **2015**	 2014
The amounts recognized in the income statement are as follows:				
Post-retirement benefits expense	**-**	-	**(8)**	(9)
Interest cost	**12**	27	**5**	5
Exchange differences	**(106)**	(89)	**(53)**	(19)
Expense (recovery)	**(94)**	(62)	**(56)**	(23)

The current service charge was included in "general and administrative expense" and the interest cost is included in "finance costs" in the income statement.

Defined Contribution Plan

AirBoss Flexible Products Co. maintains a simplified employee defined contribution pension plan ("SEP") covering substantially all U.S. employees not covered by collective bargaining agreements. The Group's contributions are discretionary and are not to exceed 5% of the total eligible compensation earned by plan participants during the year. For the period ended March 31, 2015, the expense for this plan was approximately $nil (2014: $46).

Beginning January 1, 2015, this SEP plan was replaced with a 401K plan sponsored by AirBoss Flexible Products Co. for all of their employees not covered by collective bargaining agreements. Total estimated contribution to this plan for the fiscal year is $300. For the period ended March 31, 2015, the expense for this plan was $194.

Multi-Employer Pension Plan

The Group contributes to the Steel Workers Pension Trust, a multi-employer defined benefit pension plan under the terms of collective-bargaining agreements that cover its union-represented employees in the State of Michigan. The risks of participating in a multi-employer plan are different from participation in a single-employer plan in the following aspects:

(a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the Group chooses to stop participating in the multi-employer plan, the Group may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

During the quarter, the Company made contributions of $59 (2014: $56) to the multi-employer pension plan. The unfunded vested benefit ratio was 46.38% at December 31, 2014.The Steel Workers Pension Trust is in a net deficit at December 31, 2014 and the Company's portion of the deficit is unknown. The collective bargaining agreements that require contributions to the multi-employer plan are set to expire December 31, 2017. The collective bargaining agreement requires that the Group contributes $0.40 for each hour worked by eligible employees during the preceding wage month. Total estimated contribution to this plan for the fiscal year is $250.

NOTE 15 SEGMENTED INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Rubber Compounding. Includes manufacturing and distributing rubber compounds and distributing rubber chemicals.
- AEP. Includes manufacturing and distributing protective wear and semi-finished rubber products.
- Automotive. Includes manufacturing and distributing automotive parts.
- Corporate. Includes corporate activities and certain unallocated costs.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO/Chairman and President. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Transfer pricing is based on third-party rates.

Inter-company amounts, which represent items purchased from different segments, have been presented within the segment disclosure and are eliminated to arrive at the consolidated amounts.

The Company operates primarily within North America with respect to its rubber compound and automotive products and globally with respect to its rubber protective products and has production facilities in Canada and the United States.

March 31	Rubber Compounding		AEP		Automotive		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Segment revenue	**38,161**	40,472	**11,949**	8,862	**33,807**	30,732	**-**	-	**83,917**	80,066
Inter-segment revenue	**(6,254)**	(7,814)	**(807)**	(836)	**-**	-	**-**	-	**(7,061)**	(8,650)
External revenues	**31,907**	32,658	**11,142**	8,026	**33,807**	30,732	**-**	-	**76,856**	71,416
Depreciation and amortization	**886**	915	**580**	484	**695**	669	**8**	7	**2,169**	2,075
Finance cost	**678**	685	**4**	4	**-**	-	**(172)**	(109)	**510**	580
Reportable segment profit before income tax	**2,339**	934	**544**	(474)	**3,154**	3,057	**(1,658)**	96	**4,379**	3,613
Income tax expense	**1,524**	1,120	**169**	(42)	**190**	327	**(684)**	(273)	**1,199**	1,132
Net income	**815**	(186)	**375**	(433)	**2,964**	2,730	**(974)**	370	**3,180**	2,481
Reportable segment assets[1]	**69,603**	71,941	**35,940**	36,873	**72,751**	68,356	**5,282**	11,736	**183,576**	188,906
Reportable segment liabilities[1]	**13,309**	19,350	**7,977**	8,875	**11,476**	11,443	**58,541**	59,203	**91,303**	98,871
Capital expenditure[2]	**175**	215	**524**	107	**444**	123	**84**	2	**1,227**	447

[1] Comparative figures as at December 31, 2014.

[2] Comparative figures as at March 31, 2014.

Geographical segments

The Rubber Compounding, AEP and Automotive segments operate manufacturing facilities and sales offices in the US and Canada, selling primarily in North American markets.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Non-current assets include property, plant and equipment, software, goodwill, future income taxes and other assets.

	March 31, 2015		March 31, 2014	December 31, 2014
In thousands of US dollars	**Revenues**	**Non-current assets**	Revenues	Non-current assets
Canada	**15,195**	**43,744**	16,319	44,235
United States	**55,996**	**45,550**	51,153	46,143
Other countries	**5,665**	**-**	3,944	-
	76,856	**89,294**	71,416	90,378

Major customers

Revenues from one customer represent approximately 10% (2014: 11%) of the Group's total revenues. Five customers represented 33% (2014: 31%) of the Company's total revenues.

Major Products

In thousands of US dollars	**2015**	2014
Rubber Compounding		
Tolling	**1,284**	1,497
Mixing	**30,623**	31,161
	31,907	32,658
AEP		
Industrial	**6,070**	6,780
Defense	**5,072**	1,246
	11,142	8,026
Automotive	**33,807**	30,732
Total	**76,856**	71,416

NOTE 16 RELATED PARTIES

Related Party Transactions

Included in the operating lease commitments was a rental agreement for corporate office space between the Company and a company controlled by the Chairman and CEO of the Company. The monthly lease rate approximates fair market rental value. During the period, the Company paid rent for the corporate office of $37 (2014: $42).

During the period, the Company paid fees for the use of a facility in South Carolina of approximately $5 (2014: $5) to a company in which the Chairman and CEO is an officer.

In addition, AirBoss Flexible Products Co. paid rent of $263 (2014: $263) to a company controlled by an employee of the Company to utilize its facilities. The lease expires in 2019.

During 2014, the Company invested $550 in the form of a convertible promissory note in a company for which the Deputy Chairman is the Chairman. This note can be convertible to an equity interest under the following conditions: (1) the company has completed "qualified financing" raising $1 million in gross proceeds (excluding the company's loan); (2) if no "qualified financing" takes place prior to the maturity date, the Company has the option to convert into common stock within 60 days prior to the maturity date of the note. The note bears interest at 8% per annum. Unless converted or prepaid earlier, principal and accrued interest on the note will be due on April 11, 2016.

During the year, interest income on this convertible promissory note of $11 (2014: $nil) is recorded on the statement of financial position included in other assets and recorded on the statement of income as interest income.

The convertible promissory note is accounted for as a loan receivable with separation of the conversion options that represent embedded derivatives. The loan is initially recognized at its fair value by discounting future cash flows at market interest rate for similar financial debt without the conversion options and is subsequently measured at amortized cost. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2014, the Company provided share purchase loans of $1,000 CAD each to both the President and Chief Financial Officer to purchase the Company stock. The promissory notes are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or November 24, 2019. The promissory notes bear interest at 1% annually with full recourse and interest is due and payable semi-annually. 201,000 shares of the Company having a fair value of $2,453 were pledged as collateral. At March 31, 2015, the promissory notes of $1,585, including accrued interest of $4 were included in other assets.

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