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 10, 2016 and should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements and Notes for the three-month period ended March 31, 2016 and the MD&A and Consolidated Financial Statements and Notes for the year ended December 31, 2015. 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**.

FORWARD-LOOKING STATEMENTS

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; AirBoss' ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; 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 under the heading "Risk Factors" and under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

Q1 2016 versus Q1 2015 Highlights

(In US dollars)

- Gross margin improved to 18.7% from 16.2%
- EBITDA up 30.8% to $9.2 million
- Adjusted EBITDA up 5.7% to $9.5 million
- Operational improvements continue to drive strong financial performance
- Quarterly dividend increased by 8.3% from $0.06 to $0.065 per common share

Selected Financial Information

(In thousands of US dollars, except share data)

Three months ended March 31	**2016**	2015
Financial results:		
Net sales	**70,467**	76,856
Net income	**4,341**	3,180
Net income per share (US$)		
– Basic	**0.19**	0.14
– Diluted	**0.19**	0.14
Adjusted EPS[1] (US$)		
– Basic	**0.20**	0.20
– Diluted	**0.19**	0.20
EBITDA[1]	**9,230**	7,058
Adjusted EBITDA[1]	**9,487**	8,978
Net cash (used in) from operating activities	**(931)**	(5,885)
Dividends declared per share (C$)	**0.065**	0.06
Capital expenditures	**2,697**	1,227
Financial position:	**March 31, 2016**	December 31, 2015
Total assets	**216,766**	217,739
Term loan and other debt	**76,189**	76,922
Shareholders' equity	**102,878**	99,534
Outstanding shares (#)	**23,056,447***	23,021,850
** 23,062,786 at May 10, 2016*		

[1]See "Non-IFRS Measures" below.

[1]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 measures:

EBITDA	Earnings before interest income, interest expense, income taxes and depreciation and amortization
Adjusted EBITDA	Earnings before interest income, interest expense, income taxes, depreciation and amortization, and share-based compensation expenses
Adjusted EPS	Net income per share before deduction of share-based compensation expenses and related tax effect

EBITDA, Adjusted EBITDA and Adjusted EPS are non-IFRS financial measures directly derived from the consolidated financial statements but do not have a standardized meaning prescribed by IFRS and are 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 net income to EBITDA and Adjusted EBITDA is presented below:

In thousands of US dollars	**2016**	2015
EBITDA:		
Net Income	**4,341**	3,180
Finance costs	**874**	510
Depreciation and amortization of intangible assets	**2,575**	2,169
Income tax expense	**1,440**	1,199
EBITDA	**9,230**	7,058
Add back:		
Share-based compensation expenses	**257**	1,920
Adjusted EBITDA	**9,487**	8,978

RESULTS OF OPERATIONS – First Quarter 2016 compared to 2015

NET SALES

Consolidated net sales decreased by 8.3% in Q1 2016 compared to Q1 2015, with strong sales increases in Automotive offset by sales decreases in both Rubber Compounding and Engineered Products (or "AEP").

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Total
Net Sales	**2016**	**22,250**	**11,133**	**37,084**	**70,467**
	2015	31,907	11,142	33,807	76,856
Increase (decrease) $		(9,657)	(9)	3,277	(6,389)
Increase (decrease) %		(30.3)	-	9.7	(8.3)

Rubber Compounding

Net sales in the quarter decreased by 30.3% compared to Q1 2015, while volume, expressed in pounds shipped, declined by only 15.2%. The higher relative decrease in net sales was largely due to lower raw material prices, which were approximately 16% lower than the same period in the prior year, as savings were passed on to customers. Net sales were also negatively impacted by an increase in tolling as a proportion of total volume.

Tolling volume in Q1 2016 increased by 41%, and tolling rates were up 8%, compared to Q1 2015. Volume for the non-tolling portion of the business was down 24.7% versus Q1 2015, with declines in conveyor belts, mining and off road tire ("OTR") retreading segments that were partially offset by an increase in the infrastructure and defense segments.

Engineered Products

Net sales at Engineered Products decreased by $9 in Q1 2016 compared to Q1 2015, reflecting an increase in net sales in the defense business that was offset by a decrease in net sales in the industrial products business.

Net sales for the defense business were up $639 as a result of the inclusion of results from recently acquired Immediate Response Technologies, LLC ("IRT") and increased sales of Extreme Cold Weather (ECW) boots, which were partially offset by a decrease in the sales of overboots due to the completion of a contract during 2015.

Net sales in the industrial products business decreased in Q1 2016 by $648 from Q1 2015, primarily as a result of continued softness in the belting and hose segments that was partially offset by improvements in track, construction and niche market applications. Net sales in both these product lines also reflect the re-positioning of fireboots from the industrial products business to the defense business.

Automotive

In Q1 2016, net sales at the Automotive division increased 9.7% compared to Q1 2015. Sales increased in the majority of Automotive's product segments, (particularly bushings, dampeners and grommets) as a result of increased demand across all manufacturers, particularly in the light truck segment, combined with improved customer penetration through the sale of a broader product mix to key customers.

GROSS MARGIN

Consolidated gross margin for the quarter ended March 31, 2016 was $13,164 (2015: $12,481), an increase of $683 from the same period in 2015. This increase was the result of the inclusion of IRT's results, increased sales and improved operational efficiencies at Automotive, lower conversion costs in Rubber Compounding and the continued focus across the organization over purchasing particularly raw materials, notwithstanding lower sales in Engineered Products.

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Total
Gross Margin	**2016**	**5,284**	**1,741**	**6,139**	**13,164**
	2015	4,984	2,114	5,383	12,481
Increase $		**300**	**(373)**	**756**	**683**
% of net sales	**2016**	**23.7**	**15.6**	**16.6**	**18.7**
	2015	15.6	19.0	15.9	16.2

RESULTS OF OPERATIONS – First Quarter 2016 compared to 2015 (cont'd)

Rubber Compounding

Gross margin for Rubber Compounding increased by $300 in Q1 2016 compared to Q1 2015. This increase is due to continued focus on productivity initiatives and control over raw material purchasing, as well as an improved product mix.

Engineered Products

Gross margin for Engineered Products decreased by $373 in Q1 2016 compared to Q1 2015 primarily due to decreases in net sales for the division, as discussed above and labour inefficiencies related to the transfer of production to Acton Vale from our facility in Vermont.

Gross margin as a percentage of net sales in Q1 2016 declined by 3.4% compared to Q1 2015, as a result of temporary inefficiencies related to production being transferred from Vermont to Acton-Vale, Quebec and decreased volumes.

Automotive

Gross margin for Automotive improved by $756 in Q1 2016 compared to Q1 2015, and to 16.6% from 15.9% as a percentage of net sales as a result of higher sales volumes, favourable changes in product mix and a focus on continuous improvement initiatives.

OPERATING EXPENSES

Consolidated operating expenses decreased for the first quarter by $1,083, compared to the same period in 2015, due in large part to decreased share-based compensation and lower general and administrative expenses, partially offset by the inclusion of IRT's operating expenses.

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Unallocated Corporate Costs	Total
Operating Expenses	**2016**	**1,457**	**2,450**	**2,335**	**267**	**6,509**
	2015	1,967	1,566	2,229	1,830	7,592
Increase $		(510)	884	106	(1,563)	(1,083)
% of net sales	**2016**	**6.5**	**22.0**	**6.3**	**N/A**	**9.2**
	2015	6.2	14.1	6.6	N/A	9.9

Rubber Compounding

For the three-month period ended March 31, 2016, Rubber Compounding expenses decreased by $510 compared to the same period in 2015. During the quarter, general and administrative expenses decreased by $300 mainly due to decreases in compensation, recruitment and bad debts.

Engineered Products

For the three-month period ended March 31, 2016, AEP's expenses increased by $884 over the same period in 2015. The increase was primarily related to the addition of IRT's expenses, partially offset by decreases in compensation and R&D expenses.

Automotive

For the three-month period ended March 31, 2016, Automotive's operating expenses increased by $106 over the same period in 2015.

Unallocated Corporate Costs

For the three-month period ended March 31, 2016, unallocated corporate costs decreased by $1,563 over the same period in 2015, primarily as a result of decreased share-based compensation expense of $1,663 partially offset by higher compensation expenses and lower foreign exchange gains.

FINANCE COST

In thousands of US dollars		Rubber Compounding	AEP	Automotive	Corporate	Total
Finance cost	**2016**	**1,149**	**4**	**-**	**(279)**	**874**
	2015	678	4	-	(172)	510
Increase (decrease) $		471	-	N/A	(107)	364
% of net sales	**2016**	**5.2**	**-**	**N/A**	**N/A**	**1.2**
	2015	2.1	0.1	N/A	N/A	0.7

Finance costs in Q1 2016 were $874 (Q1 2015: $510). Overall borrowing rates were lower in Q1 2016 compared to Q1 2015; however, this was offset by increased borrowing levels to finance the acquisition of IRT.

RESULTS OF OPERATIONS – First Quarter 2016 compared to 2015 (cont'd)

INCOME TAX EXPENSE

The Company recorded an income tax expense of $1,440 in Q1 2016 (2015: $1,199) or an effective income tax rate of 24.9% (27.4% in 2015).

The Company and its affiliates conduct business in the US and in Canada. Each jurisdiction is subject to different tax rates and the Company's effective tax rate varies depending on the mix and volume of business in each jurisdiction, as well as the impact of incentives, effect of permanent differences and the resolution of prior period tax assessments.

NET INCOME AND EARNINGS PER SHARE

Net income in Q1 2016 amounted to $4,341, compared to $3,180 in Q1 2015. The basic and fully diluted net earnings per share were $0.19 (2015-$0.14) and $0.19 (2015-$0.14), based on basic and fully diluted shares outstanding of 22,998,760 (2015-22,998,760) and 23,441,907 (2015–23,441,907), respectively. The increase is primarily attributable to lower share-based compensation expense.

QUARTERLY INFORMATION

In thousands of US dollars			Net Income per share	
Quarter Ended	Net Sales	Net Income	Basic	Diluted
2016				
March 31, 2016	**70,467**	**4,341**	**0.19**	**0.19**
2015				
December 31, 2015	73,576	3,731	0.16	0.16
September 30, 2015	77,513	4,036	0.18	0.17
June 30, 2015	76,964	2,378	0.10	0.10
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

Items impacting comparability of quarters

- The fourth quarter of 2015 was impacted by acquisition costs related to IRT of $66 and restructuring costs of $383.
- The third quarter of 2015 was impacted by acquisition costs related to IRT of $735 and restructuring costs of $751.
- The second quarter of 2015 was impacted by increased share-based compensation expense of $4,099 and acquisition costs of $503 related to IRT.
- The first quarter of 2015 was impacted by increased share-based compensation expense of $1,920 and acquisition costs of $205.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its 2016 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility provides financing up to $60 million (2015: $60 million). No amount was drawn against this facility at March 31, 2016.

For the quarter ended March 31, 2016, $931 of cash was used in operations, (2015: $5,885), $2,697 (2015: $1,277) was used for investing activities and $2,123 (2015: $2,325) was used in financing activities. Cash and cash equivalents decreased by $5,751 from $11,961 to $6,181 adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

The factors contributing to the changes in cash from operating activities compared to 2015 include:

- Higher income of $1,161 primarily related to higher income in Rubber Compounding and Automotive offset by losses at Engineered Products.
- Cash used for working capital was $8,798 (2015: $12,636) for the quarter ended March 31, 2016

Accounts receivable increased by $6,159, of which $6,009 is attributable to Rubber Compounding as a result of timing and certain extended credit terms.

Inventory decreased by $1,676 at Rubber Compounding due to timing of purchase deliveries and lower raw material costs, and by $555 at Automotive reflecting management's focus on inventory management initiatives. IRT's inventory at March 31, 2016 of $2,818 was offset by declines in inventory elsewhere within Engineered Products for a net increase of $377.

Prepaid expenses decreased $368, reflecting lower prepayments (mainly by Automotive) compared to the prior year.

Accounts payable decreased $4,861 due to timing of payments.

Income tax paid was $680, $343 lower as a result of the timing of required remittances.

The Company paid interest of $438 in Q1 2016 (2015: $439).

Investing Activities

Property, Plant and Equipment

Rubber Compounding invested $71 in Scotland Neck towards cost savings initiatives. In Kitchener, Rubber Compounding invested $22 in purchasing new machinery for growth and to support health and safety efforts, and $1,132 to replace capital and machinery equipment.

Engineered Products invested $344 in property, plant and equipment. Of this, $147 was invested in growth support initiatives, $102 to replace industrial machinery and equipment and $95 for equipment upgrades for health and safety, and cost savings efforts.

Automotive invested $674 to purchase machinery and equipment for growth initiatives, $238 to replace existing and automate machinery for cost savings and $189 to support electrical upgrades and heater conversion for health and safety.

Intangible assets

The Company invested $21 in software to support customer requirements, management, costing maintenance and ancillary systems.

Financing activities

In the third quarter of 2015, the Company borrowed an additional $38,000 pursuant to a new term loan under its existing debt facilities to finance the acquisition of IRT. The $38,000 term loan bore interest at LIBOR plus applicable margins from 150 to 250 basis points depending on the leverage ratio, with interest and principal payments due quarterly and maturing October 18, 2018.

In the fourth quarter of 2015, the Company amended its senior secured credit facilities to, among other things, increase the availability to approximately US$138,000, extend the maturity of the facilities and increase flexibility under the governing credit agreement to support future growth opportunities.

The aggregate availability under the Company's credit facilities is now approximately $138,000, comprised of an increased $60,000 revolving facility, a term loan of $75,000 (consolidating the two prior outstanding acquisition financing loans with interest at LIBOR plus applicable margins from 175 to 275 basis points, depending on covenants), a term loan of C$4,300 (unchanged from the prior facility) and an accordion feature of up to an additional $50,000 of availability, upon the satisfaction of customary conditions for such features. The maturity dates of the revolving credit facility and the US$ term loan were extended from October 2018 to December 2020, while the maturity date of the C$ term loan remains at October 2018.

The revolving facility consists of a $30,000 US Revolving Credit facility and a $30,000USD equivalent Canadian Revolving Credit Facility. $60,000 of this facility was unused as at March 31, 2016 and December 31, 2015.

During the quarter, the required principal repayments of $991 (2015: $1,333) were made pursuant to the term loan agreement.

The Company paid dividends of $999 during the quarter (2015: $992).

Government assistance

During the first quarter of 2016, Rubber Compounding recognized grants of $17 (2015: $nil), Engineered Products recognized grants of $46 (2015: $163) and Automotive recognized grants of $4 (2015: $nil), to support certain initiatives which were offset against expenses.

Scientific research and investment tax credits of $33 (2015: $50) were recognized in the first quarter of 2016; research and development costs were reduced accordingly.

Dividends

A quarterly dividend of $0.06 per share was declared on March 15, 2016 and paid April 14, 2016. Total annual dividends declared during 2015 were $0.24 per common share.

Outstanding shares

As at May 10, 2016 the Company had 23,062,786 common shares outstanding.

TRANSACTIONS WITH RELATED PARTIES

Included in the operating lease commitments is 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 quarter, the Company paid rent for the corporate office of $33 (2015: $37).

During the quarter, the Company paid fees for the use of a facility in South Carolina of approximately $6 (2015: $5) to a company in which the Chairman and CEO is an officer.

In addition, Automotive paid rent of $292 in the quarter to a company controlled by the President of our Automotive division for its office and manufacturing facilities (2015: $263). The monthly lease rate approximates fair market rental value. The lease provides for monthly payments equivalent to an annual rental of $1,170 and expires in 2019.

In April 2014, the Company invested $550 in the form of a convertible promissory note in a company of which the Deputy Chairman of the Company is the chairman. This note can be converted to an equity interest under the following conditions: (1) if 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. In 2016, the Company agreed to amend the terms of the promissory note to increase the interest rate of the loan to 15% per annum and extend the maturity date to April 11, 2017, at which time the principal and accrued interest on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

During the first quarter of 2016, interest income on this convertible promissory note of $nil (2015: $11) 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 costs. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2015, a full provision was recorded against accrued interest of $76 and the convertible promissory note was written down to $275 to recognize the other asset at its fair value.

During 2014, the Company provided share purchase loans of CAD $1,000 each to both the President and Chief Financial Officer to purchase common shares of the Company. 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 $2,380 were pledged as collateral. At March 31, 2016, the promissory notes of $1,545 including accrued interest of $4 were included in other assets. During the quarter, interest of $1 (2015: $nil) was paid.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are provided in Note 3 to the annual consolidated financial statements for the year ended December 31, 2015 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.

Accounting Standards adopted during the period

The Company implemented the amendments to IAS 1 "Presentation of Financial Statements", in the first quarter of 2016, with no significant impact on the Company's unaudited interim period condensed consolidated financial statements.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the most recent quarter, 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. Management has not yet assessed IRT's internal control over financial reporting.

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At March 31, 2016, the Company had contracts to sell US $9,712 in 2016 for CAD $13,500. The fair value of these contracts, representing a gain of $683 is recorded on the statement of financial position in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

There were no forward contracts outstanding at December 31, 2015.

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 2016, the net interest expense of the swap agreement was $32 and $33 was paid; (2015: $47 and $61 was paid).

For the quarter ended March 31, 2016, the fair value of this agreement, representing a loss of $97, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

For the year ended December 31, 2015, the fair value of this agreement, representing a loss of $73, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are 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.

OUTLOOK

In the first quarter of 2016, operational improvements continued to drive the Company's solid financial performance. Improvements in gross margin and growth in Adjusted EBITDA and net income were achieved largely as a result of our successful continuous improvement initiatives and pro-active management of product mix in Rubber Compounding and Automotive, notwithstanding lower consolidated net sales. For the remainder of 2016 management will enhance and expand upon these operational improvements, focusing on optimizing asset utilization, labour and supply chain efficiencies, in order to counteract macroeconomic headwinds negatively impacting demand from certain traditional segments of Rubber Compounding and Engineered Products as well as leverage off the strong industry fundamentals in Automotive.

In addition to implementing efficiencies in production and other operating processes, efforts will continue to expand and diversify our customer base, end-use industries and increase higher-margin product offerings across all business segments. In Rubber Compounding and in the industrial products line of Engineered Products, the focus remains on increasing sales to customers in industries with more favourable market conditions, such as construction and infrastructure. In Automotive, customer diversification involves increasing the proportion of sales to non-North American OEMs and Tier 1 suppliers to them, increasing exposure to non-truck/SUV platforms and taking further steps in order to be able to participate in global production programs, including evaluating opportunities to expand our physical global footprint. In the defense products line of Engineered Products, we expect the commitment levels and timing for defense spending to remain uncertain in 2016. Management is focused on the completion of the integration of IRT and the organizational restructuring efforts commenced in 2015, in order to position the business to take advantage of a recovery in global defense spending.

May 10, 2016

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, 2016 and March 31, 2015.

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, 2016 and March 31, 2015 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 10, 2016

Condensed Consolidated Statement of Financial Position

Unaudited

In thousands of US dollars	*Note*	**March 31, 2016**	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		**6,181**	11,961
Trade and other receivables, including derivatives	*5*	**49,458**	42,148
Prepaid expenses		**2,605**	2,969
Inventories	*6*	**34,351**	36,205
Current income taxes receivable		**1,309**	1,820
Other assets	*7*	**275**	275
Total current assets		**94,179**	95,378
Non-current assets			
Property, plant and equipment		**63,051**	62,092
Intangible assets		**57,542**	58,379
Other assets	*7*	**1,994**	1,890
Total non-current assets		**122,587**	122,361
Total assets		**216,766**	217,739
LIABILITIES			
Current liabilities			
Loans and borrowings	*8*	**4,103**	4,064
Trade and other payables, including derivatives		**27,447**	31,472
Employee benefits	*15*	**1,230**	1,143
Provisions	*10*	**17**	13
Total current liabilities		**32,797**	36,692
Non-current liabilities			
Loans and borrowings	*8*	**72,086**	72,858
Employee benefits	*15*	**538**	508
Provisions	*10*	**1,521**	1,348
Deferred income tax liabilities	*13*	**6,946**	6,799
Total non-current liabilities		**81,091**	81,513
Total liabilities		**113,888**	118,205
EQUITY			
Share capital	*11*	**37,696**	37,681
Contributed surplus	*11*	**1,701**	1,691
Retained earnings		**63,481**	60,162
Total equity		**102,878**	99,534
Total liabilities and equity		**216,766**	217,739

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

On behalf of the Board

P.G. Schoch
Director

Robert L. McLeish
Director

Condensed Consolidated Statement of Income

Unaudited

For the three-month period ended March 31 *In thousands of US dollars*	*Note*	**2016**	2015
Revenue		**70,467**	76,856
Cost of sales		**(57,303)**	(64,375)
Gross profit		**13,164**	12,481
General and administrative expenses		**(4,909)**	(6,235)
Selling and marketing expenses		**(1,438)**	(1,263)
Research and development expenses	*14*	**(610)**	(483)
Other income (expenses)		**448**	389
Operating expenses		**(6,509)**	(7,592)
Results from operating activities		**6,655**	4,889
Finance costs	*15*	**(874)**	(510)
Profit before income tax		**5,781**	4,379
Income tax expense	*13*	**(1,440)**	(1,199)
Profit and total comprehensive income for the period		**4,341**	3,180
Earnings per share			
Basic	*12*	**0.19**	0.14
Diluted	*12*	**0.19**	0.14

The notes on pages 17 to 26 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, 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
Balance at January 1, 2016	37,681	1,691	60,162	99,534
Profit and total comprehensive income for the period	-	-	4,341	4,341
Contributions by and distributions to owners				
Stock options expensed	-	80	-	80
Share options exercised	15	(148)	-	(133)
Share awards vested	-	78	-	78
Dividends to equity holders	-	-	(1,022)	(1,022)
Total contributions by and distributions to owners	15	10	(1,022)	(997)
Balance at March 31, 2016	37,696	1,701	63,481	102,878

The notes on pages 17 to 26 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*	**2016**	2015
Cash flows from operating activities			
Profit for the year		**4,341**	3,180
Adjustments for:			
Depreciation		**1,717**	1,629
Amortization of intangible assets		**858**	540
Loss on disposal of property, plant and equipment		**-**	4
Finance costs	*15*	**874**	510
Interest on other assets		**(4)**	(15)
Change in fair value of interest swaps		**23**	75
Unrealized foreign exchange gains		**(495)**	(764)
Share-based payment expense	*11*	**257**	1,913
Lease incentive		**(3)**	-
SRED tax credits		**(16)**	(50)
Current income tax expense	*13*	**1,295**	1,180
Deferred income tax expense	*13*	**145**	19
Post-retirement benefits expense	*15*	**(7)**	(8)
		8,985	8,213
Change in inventories		**1,854**	1,918
Change in trade and other receivables		**(6,159)**	(7,496)
Change in prepayments		**368**	180
Change in trade and other payables		**(4,861)**	(7,238)
Net change in non-cash or working capital balances		**(8,798)**	(12,636)
Interest paid		**(438)**	(439)
Income tax paid		**(680)**	(1,023)
Net cash used in operating activities		**(931)**	(5,885)
Cash flows used in investing activities			
Acquisition of property, plant and equipment		**(2,676)**	(1,166)
Acquisition of intangible assets		**(21)**	(61)
Net cash used in investing activities		**(2,697)**	(1,227)
Cash flows from financing activities			
Repayment of borrowings		**(991)**	(1,333)
Tax paid on exercise of share options		**(133)**	-
Dividends paid	*11*	**(999)**	(992)
Net cash used in financing activities		**(2,123)**	(2,325)
Net decrease in cash and cash equivalents		**(5,751)**	(9,437)
Cash and cash equivalents at January 1		**11,961**	13,139
Effect of exchange rate fluctuations on cash held		**(29)**	(10)
Cash and cash equivalents at March 31		**6,181**	3,692

The notes on pages 17 to 26 are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements ("CFS")

For the three-month periods ended March 31, 2016 and March 31, 2015
(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 Ontario. 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, 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and separately as "Group entities"). The Group has operations in Canada and the US and is involved primarily in the manufacture of high quality rubber-based products to resource, military, automotive and industrial markets (see Note 16).

NOTE 2 BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements should be read in conjunction with the Company's 2015 audited annual consolidated financial statements and accompanying notes.

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 10, 2016.

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, 2015 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.

Accounting Standards adopted during the period

The Company implemented the amendments to IAS 1 "Presentation of Financial Statements", in the first quarter of 2016, with no significant impact on the Company's unaudited interim period condensed consolidated financial statements.

NOTE 4 ACQUISITION OF IMMEDIATE RESPONSE TECHNOLOGIES, LLC

On July 24, 2015, the Company, through its wholly-owned subsidiary AirBoss-Defense Inc., acquired all of the membership interests of Immediate Response Technologies, LLC ("IRT"), a privately-owned U.S. company that is a leading provider of personal protection and safety products for CBRN hazards, as well as communicable diseases and respiratory threats for the individual, First Responder, Medical, Military, Law Enforcement, Fire and Industrial communities.

The acquisition was made for initial cash consideration of $36,770, subject to working capital adjustments, with the potential for additional earn-out payments in a combination of cash and equity having a maximum aggregate value of up to approximately $25,000, subject to the achievement of specific performance objectives over the 60 month period following the close of the transaction. The acquisition consideration and related expenses were financed with cash on hand and debt, with the Company utilizing a new $38,000 term loan under its existing debt facilities.

The acquisition of IRT by the Company is accounted for using the acquisition method of accounting, whereby, IRT's assets and liabilities are revalued to their fair value and any excess of the purchase price is recognized as goodwill. AirBoss' assets and liabilities are not revalued. Purchase price allocation is not yet completed.

Acquisition-related costs

The Company incurred acquisition-related costs of $1,308 on legal fees and due diligence costs and have been included in "general and administrative expenses". In the first quarter of 2016, $4 was expensed and $1,304 in fiscal 2015.

Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date. Provisional amounts have been recognized as the measurement period for the acquisition remains open until the valuation of identifiable assets and liabilities is confirmed.

Purchase price allocation

The purchase price has been allocated on the basis of management's preliminary estimates of fair values as follows:

(US in thousands)	
Consideration:	
Cash	36,770
Adjustments to working capital	(197)
Total Consideration:	36,573
Preliminary fair value of assets acquired:	
Accounts receivable	1,012
Inventory	3,778
Prepaid expenses	953
Property and equipment	4,500
Customer relationships	12,250
Total Assets	22,493
Preliminary value of liabilities assumed:	
Accounts payable	(1,693)
Provisions	(278)
Total liabilities	(1,971)
Net assets acquired	20,522
Excess of purchase price over fair value of identifiable assets acquired, recognized as goodwill	16,051

The goodwill is attributable mainly to the skills and technical talent of IRT's work force, proprietary technology and the synergies expected to be achieved from integrating IRT into the Company's existing business. Elected values determined tax deductibility of goodwill.

NOTE 5 TRADE AND OTHER RECEIVABLES

In thousands of US dollars	**March 31, 2016**	December 31, 2015
Trade receivables	**48,610**	41,181
Less: allowance for doubtful accounts	**(352)**	(734)
	48,258	40,447
Other receivables	**1,200**	1,701
	49,458	42,148

Impairment losses

The aging of trade receivables at the reporting date was:

	March 31, 2016		December 31, 2015	
In thousands of US dollars	**Gross**	**Impairment**	Gross	Impairment
Within terms	**37,421**	**-**	33,055	-
Past due 0-30 days	**8,039**	**-**	5,576	-
Past due 31-120 days	**3,150**	**(352)**	2,550	(734)
	48,610	**(352)**	41,181	(734)

The continuity of the allowance for doubtful accounts was:

In thousands of US dollars	**March 31, 2016**	December 31, 2015
Balance at January 1	**(734)**	(254)
Impairment loss recognized	**(104)**	(876)
Collected	**-**	52
Revised estimate/write-off	**486**	344
Balance	**(352)**	(734)

NOTE 6 INVENTORIES

In thousands of US dollars	**March 31, 2016**	December 31, 2015
Raw materials and consumables	**24,839**	23,625
Work in progress	**2,349**	2,340
Finished goods	**7,484**	8,373
Inventory in transit	**1,190**	2,120
Other inventory	**-**	879
	35,862	37,337
Provisions	**(1,511)**	(1,132)
	34,351	36,205

An inventory charge of $379 (2015: $402) was included in cost of sales.

NOTE 7 OTHER ASSETS

In thousands of US dollars	Convertible promissory Note	Share purchase loan	10% equity investment	Other	Total
Balance at January 1, 2015	582	1,726	313	146	2,767
Accrued interest	44	16	-	-	60
Interest paid	-	(16)	-	-	(16)
Allowance for accrued interest	(76)	-	-	-	(76)
Writedown to fair value of convertible promissory note	(275)	-	-	-	(275)
Effect of movements in exchange rates	-	(279)	-	(16)	(295)
Balance at December 31, 2015	275	1,447	313	130	2,165
Accrued interest	-	4	-	-	4
Interest paid	-	(1)	-	-	(1)
Effect of movements in exchange rates	-	95	-	6	101
Subtotal at March 31, 2016	275	1,545	313	136	2,269
Less current portion	(275)	-	-	-	(275)
	-	1,545	313	136	1,994

NOTE 8 LOANS AND BORROWINGS

The Company is not in default, nor has it breached any terms of its syndicated credit agreement relating to its revolving and term loan credit facilities.

During the first quarter of 2016, the Company accrued $665 and paid $339 interest expense on term loans under its syndicated credit facilities.

NOTE 9 DERIVATIVES NOT MEETING HEDGE ACCOUNTING CRITERIA

Foreign exchange hedge

At March 31, 2016, the Company had contracts to sell US $9,712 in 2016 for CAD $13,500. The fair value of these contracts, representing a gain of $683 is recorded in the statement of financial position included in trade and other receivables, including derivatives and changes in fair value recorded on the statement of income as other income.

There were no forward contracts outstanding at December 31, 2015.

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 2016, the net interest expense of the swap agreement was $32 and $33 was paid; (2015: $47 and $61 was paid).

For the quarter ended March 31, 2016, the fair value of this agreement, representing a loss of $97, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are recorded on the statement of income as finance costs.

For the year ended December 31, 2015, the fair value of this agreement, representing a loss of $73, was recorded on the statement of financial position included in loans and borrowings and changes in fair value are 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 10 PROVISIONS

In thousands of US dollars	Site restoration	Stock appreciation rights	Restricted stock units	Lease incentives	Total
Balance at January 1, 2015	86	2,956	194	-	3,236
Acquisitions (Note 4)	-	-	-	278	278
Provisions accrued during the year	-	4,577	921	-	5,498
Payments during the year	-	(6,709)	-	-	(6,709)
Foreign exchange	(14)	(824)	(104)	-	(942)
Balance at December 31, 2015	72	-	1,011	278	1,361
Provisions accrued during the year	-	-	99	(3)	96
Foreign exchange	5	-	76	-	81
Subtotal	77	-	1,186	275	1,538
Less principal due within one year	-	-	-	(17)	(17)
Balance at March 31, 2016	77	-	1,186	258	1,521

No legal provisions are recognized at March 31, 2016 and March 31, 2015.

Stock Appreciation Rights Plan

During 2011, the Company established a stock appreciation rights plan ("SAR Plan") to reward select directors and employees and issued 609,000 stock appreciation rights thereunder. Since 2012, no stock appreciation rights were granted to any employees, officers, directors or advisors to the directors. The stock appreciation rights granted in 2011 vested on September 30, 2015 (539,000 rights) and November 13, 2015 (70,000 rights). During the fourth quarter of 2015, following the vesting date, cash payments were made to rights holders, net of tax withholdings, equal to the positive difference between the market price of the Company's common shares (defined under the SAR Plan as the trailing 10-day volume-weighted average price of the shares on the TSX) on the vesting date and the market price on the date of the grant.

As at December 31, 2015, no stock appreciation rights were outstanding. On September 30, 2015, 539,000 stock appreciation rights vested with a vesting date market price of CAD $20.2887, resulting in a cash payment of $5,996. On November 13, 2015, 70,000 stock appreciation rights vested with a vesting date market price of CAD $18.7036, resulting in a cash payment of $712.

The Company recognized $1,646 as employee costs in 2015, relating to the SAR Plan, as a result of the change in share price.

Restricted Stock Units

Pursuant to its 2015 Omnibus Incentive Plan ("Omnibus Plan") approved by shareholders in 2015, the Company has issued certain executives with an aggregate of 238,500 restricted stock units on the terms and conditions set out in the Omnibus Plan. Each restricted stock unit entitles the holder to receive on vesting at the sole discretion of the Company either one common share or a cash payment equal to the fair market value of a common share as of the vesting date. During the first quarter of 2016, no new restricted stock units were issued. During 2015, 174,500 restricted stock units were issued. The restricted stock units vest three years following the grant date and have no performance requirements. At March 31, 2016 the Company has recognized as employee costs $99 (2015: $112) related to the plan.

Performance Awards

The Company has issued certain executives with an aggregate of 31,860 performance awards pursuant to the terms and conditions of the Omnibus Plan. Each performance award entitles the holder to receive on vesting a cash payment equal to the product of (a) the fair market value of a common share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined perfomance objectives over the vesting period. During the first quarter of 2016, 31,860 performance awards were issued. The performance awards vest three years following the grant date. At March 31, 2016 the Company recognized as employee costs $nil related to the plan.

NOTE 11 CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital and Contributed Surplus

Issued share capital is as follows:

In thousands of shares	**March 31, 2016**	March 31, 2015	December 31, 2015
January 1	**23,022**	22,999	22,999
Exercise of share options	**34**	-	23
Balance	**23,056**	22,999	23,022

Issuance of common shares

During the first quarter of 2016, 75,000 options (2015: nil) were exercised on a cash-less basis for 34,597 shares (2015: nil).

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.

On March 30, 2016 the Company issued certain executives with an aggregate of 105,800 share awards pursuant to the terms and conditions of the Omnibus Plan. The share awards vested immediately, with each recipient entitled to receive one common share for each share award within 30 days. During the period, the Company recognized as employee costs $78 (2015: $nil) related to these awards.

Share options outstanding as at March 31

	2016	2015
Share options granted and outstanding	**1,031,400**	1,048,000

Inputs for measurement of grant date fair values

The grant date fair value of all options was 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 share-based payment plans are the following:

Fair value of share options and assumptions

In Canadian dollars	**March 30, 2016**	December 30, 2015	March 31, 2015
Fair value at grant date	**$3.60**	4.70	$4.12
Share price at grant date	**15.25**	17.53	15.46
Exercise price	**16.69**	17.86	15.40
Expected volatility (weighted average volatility)	**34.6%**	35.0%	34.6%
Option life (expected weighted average life)	**5 years**	5 years	5 years
Expected dividends	**1.57%**	1.37%	1.55%
Risk-free interest rate (based on government bonds)	**0.66%**	0.74%	0.73%

Stock option expense

During the period, the Company recognized as employee costs $80 (2015: $162) relating to option grants in general and administrative expenses of the statement of income.

Dividends

Dividends on common shares were paid to shareholders of record quarterly in 2016 and in 2015 as follows:

	2016		2015	
Shareholder of record at:	**$CAD/share**	**Date Paid**	$CAD/share	Date Paid
March 31, 2016	**0.06**	**April 14, 2016**	0.06	April 16, 2015

The dividend payable at March 31, 2016 was $1,065 (2015: $1,089).

NOTE 12 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*	**2016**	2015
Numerator for basic and diluted earnings per share:		
Net income	**4,341**	3,180
Denominator for basic and diluted earnings per share:		
Basic weighted average number of shares outstanding	**23,030**	22,999
Dilution effect of stock options	**445**	443
Diluted weighted average number of shares outstanding	**23,475**	23,442
Net income per share:		
Basic	**0.19**	0.14
Diluted	**0.19**	0.14

At March 31, 2016,15,000 options (2015: 70,000) 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 13 INCOME TAXES

March 31 *In thousands of US dollars*	**2016**	2015
Current tax expense:		
Current period	**1,277**	1,180
Adjustment for prior periods	**18**	-
	1,295	1,180
Deferred tax expense:		
Origination of reversal of temporary differences	**131**	19
Adjustment for prior periods	**14**	-
	145	19
Total income tax expense	**1,440**	1,199

NOTE 14 GOVERNMENT ASSISTANCE

During the first quarter of 2016, Rubber Compounding recognized grants of $17 (2015: $nil), Engineered Products recognized grants of $46 (2015: $163) and Automotive recognized grants of $4 (2015: $nil), to support certain initiatives which were offset against expenses.

Scientific research and investment tax credits of $33 (2015: $50) were recognized in the first quarter of 2016; research and development costs were reduced accordingly.

NOTE 15 POST RETIREMENT BENEFITS

March 31 *In thousands of US dollars*	Executive Supplemental Plan **2016**	 2015	Other benefit plan **2016**	 2015
The amounts recognized in the income statement are as follows:				
Post-retirement benefits expense (recovery)	**-**	-	**(7)**	(8)
Interest cost	**11**	12	**4**	5
Exchange differences	**76**	(106)	**33**	(53)
Expense (recovery)	**87**	(94)	**30**	(56)

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

Defined Contribution Plan

Beginning January 1, 2015, AirBoss Flexible Products ("Flexible") started a 401(k) defined contribution plan sponsored by Flexible for all of their employees not covered by collective bargaining agreements. Total estimated contribution to this plan for 2016 is $260. For the quarter ended March 31, 2016, the expense for this plan was $98.

AirBoss Rubber Compounding (NC) Inc. maintains a 401(k) plan for all their employees. Total estimated contributions to this plan for the fiscal year is $14. For the quarter ended March 31, 2016, the expense for this plan was $3.

At the time of acquisition, on July 1, 2015, IRT maintained a 401(k) defined contribution plan for its employees. Eligible employees were able to invest pre-tax contributions up to the Internal Revenue Service maximum limits, into selected investment funds maintained and managed by third-party investment companies. IRT did not provide a matching contribution and terminated this 401(k) plan on October 29, 2015.

Multi-Employer Pension Plan

Flexible 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 $69 (2015: $59) to the multi-employer pension plan. The unfunded vested benefit ratio was 45.89% at December 31, 2015 (2014: 46.38%). The Steel Workers Pension Trust was in a net deficit at December 31, 2015 and the Company's portion of the deficit was 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 $285.

NOTE 16 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 distribution of rubber compounds and distribution of rubber compounding related chemicals.
- AEP. Includes the manufacture and distribution of personal protection and safety products primarily for CBRN hazards and semi-finished rubber related products.
- Automotive. Includes the manufacture and distribution of anti-vibration and noise dampening 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.

For the quarter ended March 31	Rubber Compounding		AEP		Automotive		Unallocated Corporate Costs		Total	
In thousands of US dollars	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment revenue	**28,297**	38,161	**11,496**	11,949	**37,084**	33,807	**-**	-	**76,877**	83,917
Inter-segment revenue	**(6,047)**	(6,254)	**(363)**	(807)	**-**	-	**-**	-	**(6,410)**	(7,061)
External revenues	**22,250**	31,907	**11,133**	11,142	**37,084**	33,807	**-**	-	**70,467**	76,856
Depreciation and amortization	**891**	886	**883**	580	**789**	695	**12**	8	**2,575**	2,169
Finance cost	**1,149**	678	**4**	4	**-**	-	**(279)**	(172)	**874**	510
Reportable segment profit before income tax	**2,678**	2,339	**(713)**	544	**3,804**	3,154	**12**	(1,658)	**5,781**	4,379
Income tax expense	**1,299**	1,524	**71**	169	**454**	190	**(384)**	(684)	**1,440**	1,199
Net income	**1,379**	815	**(784)**	375	**3,349**	2,964	**397**	(974)	**4,341**	3,180
Reportable segment assets[1]	**64,095**	60,199	**72,867**	73,286	**72,720**	71,962	**7,084**	12,292	**216,766**	217,739
Reportable segment liabilities[1]	**11,604**	14,695	**7,086**	7,078	**11,699**	12,462	**83,499**	83,970	**113,888**	118,205
Capital expenditure[2]	**1,225**	175	**344**	524	**1,101**	444	**27**	84	**2,697**	1,227

[1] Comparative figures as at December 31, 2015

[2] Comparative figures as at March 31, 2015

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, 2016		March 31, 2015	December 31, 2015
In thousands of US dollars	**Revenues**	**Non-current assets**	Revenues	Non-current assets
Canada	**13,792**	**46,791**	15,195	46,285
United States	**53,198**	**75,796**	55,996	76,076
Other countries	**3,477**	**-**	5,665	-
	70,467	**122,587**	76,856	122,361

Major customers

Revenues from one customer represent approximately 10% (2015: 10%) of the Group's total revenues. Five customers represented 32% (2015: 33%) of the Company's total revenues.

Major Products

In thousands of US dollars	**2016**	2015
Rubber Compounding		
Tolling	**2,002**	1,284
Mixing	**20,248**	30,623
	22,250	31,907
AEP		
Industrial	**5,422**	6,070
Defense	**5,711**	5,072
	11,133	11,142
Automotive	**37,084**	33,807
Total	**70,467**	76,856

NOTE 17 RELATED PARTIES

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 of the Company. The monthly lease rate approximates fair market rental value. During the first quarter of 2016, the Company paid rent for the corporate office of $33 (2015: $37).

During the first quarter of 2016, the Company paid fees for the use of a facility in South Carolina of approximately $6 (2015: $5) to a company in which the Chairman is an officer.

In addition, during the first quarter of 2016, Automotive paid rent of $292 to a company controlled by an employee of the Company to utilize its office and manufacturing facilities (2015: $263). The monthly lease rate approximates fair market rental value. The lease provides for monthly payments equivalent to an annual rental of $1,170 and expires in 2019.

In April 2014, the Company invested $550 in the form of a convertible promissory note in a company of which the Deputy Chairman of the Company is the chairman. This note can be converted to an equity interest under the following conditions: (1) if 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. In 2016, the Company agreed to amend the terms of the promissory note to increase the interest rate of the loan to 15% per annum and to extend the maturity date to April 11, 2017, at which time the principal and accrued interest on the note will be due and payable unless the note is converted or the loan is prepaid at an earlier date.

During the first quarter of 2016, interest income on this convertible promissory note of $nil (2015: $11) 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 costs. The embedded derivatives are accounted for at fair value, which is currently considered nominal.

During the fourth quarter of 2015, a full provision was recorded against accrued interest of $76 and the convertible promissory note was written down to $275 to recognize the other asset at its fair value.

During 2014, the Company provided share purchase loans of CAD $1,000 each to both the President and Chief Financial Officer to purchase common shares of the Company. 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 $2,380 were pledged as collateral. At March 31, 2016, the promissory notes of $1,545 including accrued interest of $4 were included in other assets. During the quarter, interest of $1 (2015: $nil) was paid.