AIRBOSS OF AMERICA CORP.

ANNUAL INFORMATION FORM

For the year ended December 31, 2017

March 26, 2018
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GENERAL INFORMATION

Certain information contained in this Annual Information Form has been obtained from publicly available information from third party sources. AirBoss of America Corp. (the “Company” or “AirBoss”) has not verified the accuracy or completeness of any information contained in such publicly available information. In addition, the Company has not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information contained in such publicly available information has been furnished or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Unless indicated otherwise, or the context otherwise requires, references in this document to “AirBoss”, “the Company”, “we”, “us”, “our Company”, or “our” refer to AirBoss of America Corp. and its consolidated subsidiaries, except when it is clear that such terms refer to AirBoss of America Corp. only. All dollar amounts shown are in US dollars unless otherwise indicated.

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 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, 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 Annual Information Form 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 Annual Information Form 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 law. Risks and uncertainties about AirBoss’ business are more fully discussed and discussed under the heading “Risk Factors” beginning on page 10.
AirBoss of America Corp. was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Greenstrike Gold Corp. and 846241 Ontario Limited under the name “IATCO Industries Inc.” on October 13, 1989. The articles of amalgamation were amended by articles of amendment filed on April 18, 1994 to change its name to “AirBoss of America Corp.” On December 31, 1996, the Company, through its subsidiary ITRM Inc., purchased substantially all of the assets of International Technical Rubber Manufacturing Inc. ITRM Inc. was amalgamated with AirBoss on July 1, 1998. The Company maintains its registered office and head office at 16441 Yonge Street, Newmarket, Ontario, L3X 2G8.

In addition to the parent company, AirBoss of America Corp., operations are carried on by the following five wholly-owned operating subsidiaries: AirBoss Rubber Compounding (NC) Inc. (which, together with the parent company, AirBoss of America Corp. and SunBoss Chemicals Corp, carries on business as “AirBoss Rubber Solutions”), AirBoss Engineered Products Inc./AirBoss Produits d’Ingénierie Inc. (“AEP”), AirBoss Flexible Products Co. and Immediate Response Technologies, LLC (“IRT” and which, together with a division of AEP, carries on business as “AirBoss Defense”). AirBoss ULC, AirBoss ULC II, AirBoss Holdings Inc. and AirBoss Finco LLC are holding companies incorporated as part of the acquisitions of AirBoss Flexible Products Co. and Immediate Response Technologies, LLC. None of these entities carry on any operations on behalf of AirBoss.
OUR BUSINESS

AirBoss is a group of complementary businesses using compounding technology and engineering expertise to create value for its customers, through the design, development, manufacture and sale of rubber compounds and specialty finished products to industrial customers, the automotive industry and the defense, first response and healthcare markets. As first disclosed on May 2, 2017, AirBoss now operates in two business segments: Rubber Solutions and Engineered Products. The Rubber Solutions segment consists of the former rubber compounding segment and the industrial products line previously included in the Engineered Products segment. The reorganized Engineered Products segment combines the defense business with the automotive products business that was previously a separate reporting segment. All segmented financial information in this Annual Information Form for 2016 and 2017 reflects this new reporting segment structure. Each of these segments is discussed in detail under the section entitled “Description of the Business” below.

Rubber Solutions

AirBoss, through its Rubber Solutions segment, is engaged in the development and manufacturing of custom rubber compounds, calendered and extruded material and molded products for a broad range of applications and industries including mining, transportation, industrial rubber products, military, automotive, conveyor belting, and oil and gas, primarily in North America. With a capacity to process approximately 400 million turn pounds of rubber compounds annually, the Rubber Solutions segment is one of North America’s largest custom rubber compounding companies with locations in Kitchener, Ontario, Acton Vale, Quebec and Scotland Neck, North Carolina. SunBoss Chemicals Corp. sources chemicals used in the rubber compounding business for both internal consumption and external sales to customers who mix compounds internally, and its financial results are included in the financial disclosure provided in respect of the Rubber Solutions segment.

Engineered Products

The Engineered Products segment operates a defense products line out of Acton Vale, Quebec, Bromont, Quebec and Landover, Maryland and an automotive products business out of Auburn Hills, Michigan. IRT and a division of AEP collectively operate our defense business under the trade name “AirBoss Defense”. AirBoss Defense is a leader in the development, manufacture and sale of Chemical, Biological, Radiological and Nuclear (“CBRN”) protective equipment and related products for military, first response and healthcare applications. IRT was acquired by AirBoss on July 24, 2015. AirBoss Flexible Products Co. operates our automotive business and is a leading manufacturer and supplier of innovative and cost-effective anti-vibration and noise dampening solutions primarily to the North American automotive market. Our automotive business designs, engineers and manufactures rubber, synthetic rubber and rubber-to-metal bonded products that are used to eliminate or control undesired vibration and noise, to enhance interior comfort, increase the durability of a vehicle and improve the overall experience of a vehicle’s passengers.

Contributions to Consolidated Revenue

The breakdown of the percentage contribution towards AirBoss consolidated revenues for 2017 and 2016 for each business segment is set out in the chart below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber Solutions</td>
<td>43%</td>
<td>39%</td>
</tr>
<tr>
<td>Engineered Products</td>
<td>57%</td>
<td>61%</td>
</tr>
</tbody>
</table>
GENERAL DEVELOPMENT OF THE BUSINESS

Developments in the last three years

Rubber Solutions

In general, increased volatility in commodity prices for natural and synthetic rubber and other key ingredients have impacted net sales earned from our rubber compounding business over the past two years, following a period of relatively low and stable commodity prices. In 2017, increases in these commodities had a positive impact on net sales. In addition, volume (measured in pounds shipped) also increased in 2017, from the majority of traditional customer sectors. Notwithstanding the increase in net sales volume, gross profit and profitability were negatively impacted by the volatility as raw material prices increased, affecting our ability to fully align input cost increases with customer price increases. We continue to be focused on further process improvement initiatives and developing effective purchase and pricing strategies to be more proactive in the marketplace.

Engineered Products

Global defense spending increased in 2017 compared to relatively low spending over the prior two years due to factors such as budget sequestration in the U.S. and uncertain global political and economic environments.

On July 24, 2015, AirBoss acquired all of the membership interests of 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 military, first responder, healthcare, law enforcement and industrial communities. The acquisition was made for initial cash consideration of $35.8 million, after 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 million, 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 million term loan under its existing debt facilities. IRT was acquired with a view to expanding the product offering and customer base of our defense business, and we expect it will provide a platform of future products and programs to support growth when defense-related spending increases. Following the acquisition of IRT, we have largely completed the integration of its business with our existing defense products and Quebec-based personnel. In 2016 we completed certain restructuring actions that were commenced in 2015, including the closure of our facility in Vermont and the transfer of its manufacturing equipment and activity to our Acton Vale, Quebec facility.

Our automotive business was established with the acquisition of AirBoss Flexible Products Co. in October 2013, to add to our speciality rubber products offering with injection molding capabilities for the automotive industry. In 2015 and 2016, sales and profitability in this business grew as a result of the strong manufacturing environment in the automotive sector, and in particular in the North American market due to increased demand in the light truck segment across all manufacturers, and improved customer penetration through the sale of a broader product mix to key customers. Sales and profitability decreased in 2017, primarily due to the completion of a large muffler hangar program in the second half of 2016 and certain customer specification changes in the first half of 2017, including switching from rubber to plastic components. The new leadership team is making progress with developing proactive strategies to attain new multi-year programs to replace those that have expired or are nearing the end of their platform lifecycle. As these activities are necessarily focusing on platforms that start production in 2019 or later, they are not expected to have a significant impact in the near term.
Other Developments

In December 2015, AirBoss amended its senior secured credit facilities to, among other things, increase borrowing availability to approximately $138 million, extend the maturity of the facilities and increase flexibility under the governing credit agreement to support future growth opportunities. The increased availability is comprised of an increased $60 million revolving facility, a term loan of $75 million (consolidating the two prior outstanding acquisition financing loans), a term loan of approximately C$5 million (unchanged from the prior facility) and an accordion feature of up to an additional $50 million of availability, upon the satisfaction of customary conditions for such features. The maturity dates of the revolving credit facility and the US dollar term loan were extended from October 2018 to December 2020, while the maturity date of the Canadian dollar term loan remains at October 2018.

DESCRIPTION OF THE BUSINESS

Rubber Solutions

Our Rubber Solutions segment manufactures over 2,000 different custom compounds from various natural and synthetic polymers, reinforcing agents and various additives and chemicals, for a wide variety of customers in North America from its locations in Kitchener, Ontario, Acton Vale, Quebec and Scotland Neck, North Carolina. Formulas are developed by the rubber compounding business’ chemists and technical staff to meet specific customer requirements or are supplied by the customer.

Management believes the main advantage its rubber compounding business has over many of its competitors is its large capacity, state-of-the-art equipment and the high level of automation of its production processes. This allows the Company to maximize efficiency due to larger batch sizes and shorter production cycles. The Company provides its customers with consistent quality products from thorough quality control processes, continuous improvement initiatives, sourcing of high quality raw materials and blending of production batches. Increased compound homogeneity is a key factor in improving the quality of end products.

Custom compound research and development is crucial in both maintaining customer relationships and developing new business. The Company has established a complete compound research and development laboratory, A2UL certified, which is separate from its quality control laboratory and which we believe is a key differentiator when comparing AirBoss to other rubber compounding operations.

Facilities

The Kitchener facility includes approximately 950,000 square feet of manufacturing and warehouse space, and 50,000 square feet of office space. The rubber compounding business’ primary research and development facilities are located in Kitchener. The facility in Acton Vale, Quebec has approximately 260,000 square feet, encompassing manufacturing, research and development and administrative resources, some of which are shared with our defense business. The facility in North Carolina has approximately 150,000 square feet with manufacturing and office space.

Markets

The Company’s custom rubber compounds, calendered and extruded rubber products are used in the manufacture of automotive parts, conveyor belting, off-road tire retreads, track, mining products, various industrial rubber products in the construction, infrastructure, oil & gas and other markets and solid tires. No single market or industry accounted for more than 22% of the net sales in the rubber
compounding business in 2017. One of the factors that management believes distinguishes AirBoss in the industry is the high percentage of its business that is focused on diverse industrial markets, in comparison to most of the other North American custom compound manufacturers whose business is primarily automotive based, and accordingly exposed to the cyclical nature of a single industry.

**Competition**

Recent consolidations and prevailing market conditions have resulted in a very competitive environment for our Rubber Solutions segment where manufacturing efficiency and worldwide raw material purchasing are key requirements for success. The Company’s largest competitor in North America is Hexpol AB, which has recently consolidated several North American custom compounders and has a stated capacity of more than 440,000 metric tons (or approx. 1 billion pounds) of rubber compound annually in North America. Management believes that American Phoenix, Inc. and Preferred Compounding are also significant competitors. Other competitors in the United States generally have smaller manufacturing capacity than AirBoss and are typically more specialized. Of the remaining competitors in North America, we believe that three possess capacity to process over 100 million pounds of rubber annually, four have between 50-100 million pounds of rubber compound capacity and the rest have fewer than 50 million pounds of rubber compound capacity. Capacity is a strategic variable governing the ability to produce competitively priced compounds and to sustain research and development activities. Another key competitive factor is the location of the Company’s manufacturing facilities, as freight costs and exchange rates impact cost competitiveness. The location of the Company’s manufacturing facilities in Kitchener, Ontario, Acton Vale, Quebec and Scotland Neck, North Carolina allows it to benefit from close proximity to the United States and Canadian industrial heartlands and an efficient highway system.

**Marketing, Sales and Distribution**

Rubber compounds are sold through highly trained sales personnel with access to significant technical resources, including an extensive product development laboratory and experienced polymer chemists. The Company advertises in industry trade publications and on the Internet, and participates in industry trade conventions in North America. The current customer base encompasses most industrial rubber segments in North America.

Distribution costs represent a significant proportion of total product cost, and accordingly it is advantageous to be close to major markets and customers. In addition, many rubber compounds do not have a long shelf life and short shipping distances help preserve product quality. With the Company’s facilities in the south-eastern United States and Kitchener’s close proximity to industrialized areas in Canada and the United States such as the Ohio Valley, AirBoss believes it is well situated to serve major rubber-based manufacturing markets.

**Manufacturing**

The Company’s largest facility in Kitchener, Ontario mixes the majority of custom rubber compounds for both internal use and sale to external customers. The plant is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 registered. The manufacturing process is capital intensive. AirBoss operates five mixers at its Kitchener location. The mixers and material handling within the plant are highly automated. The Company utilizes the latest modern technology for the automated handling of many different grades of carbon black as well as custom designed robotic equipment for piling and packaging of finished compound in strip form. Batch sizes of each of the five mixers range up to almost 800 pounds in batch cycle times ranging from two to five minutes.
The facilities in Acton Vale, Quebec and in Scotland Neck, North Carolina, supplement the capabilities of the Kitchener plant, providing a combined custom rubber compound capacity of approximately 400 turn million pounds annually.

Manufacturing of all industrial products and production of rubber compounds used for the manufacture of industrial products and certain of our defense product line occurs in the Acton Vale facility, which in addition to rubber mixing, calendering and extruding equipment includes 12 injection molding presses and two compression presses.

Engineered Products

Engineered Products operates in Canada and the United States and is comprised of our defense business and our automotive business. Defense products include hand, foot and respiratory protective wear (gloves, over-boots, boots, gas masks and filters), respiratory systems such as powered air purifying respirators (“PAPRs”) and shelters and infectious disease isolation systems (“ISOPODs”) for military, first response, law enforcement and healthcare applications. The defense products line is supported by internal research and development for customised product design and development. Our automotive business consists of designing, engineering, manufacturing and selling injection molded metal bonded anti-vibration and noise-suppression products (including exhaust hangers, engine mounts, boots, sway bar bushings and spring insulators) primarily to the North American automotive industry.

Facilities

The defense product line shares manufacturing, research and development and administrative resources at our facility in Acton Vale, Quebec and has additional research and development, manufacturing and administrative resources located in our 76,000 square foot facility in Landover, Maryland and sales and administrative functions located in our 15,000 square foot facility in Bromont, Quebec.

The research & development, design, manufacture and administrative resources for our automotive business are located in Auburn Hills, Michigan, where we lease three facilities with combined tooling, prototyping, molding, assembly, and warehousing and office space of 311,000 square feet.

Markets

Our defense business markets its products globally to customers in the armed forces and other military organizations, law enforcement agencies, first responder organizations and in the healthcare and industrial communities. In particular, we market our gas masks, rubber gloves, boots and over-boots for military, law enforcement and first responder applications requiring CBRN contaminant protection and also develop and supply extreme cold weather (“ECW”) footwear protection for military use. The acquisition of IRT in 2015 expanded the breadth of our product line specializing in CBRN protection, including rapidly deployable shelters and ISOPODs, PAPRs and filter canisters for these same markets.

Our automotive business produces low cost, high quality products primarily for the “big three” North American automakers and major Tier I/II suppliers to both domestic and global automotive manufacturers. Following the acquisition of the automotive business, we began to focus on expanding our direct sales to automakers beyond the traditional North American manufacturers and in 2015 we began production on parts supplied directly to a major Asian automaker on certain of its vehicle lines.
Competition

Our defense products business competes in all markets with several North American and European-based companies. With respect to CBRN hand and footwear, we believe the design of our over-boot is unique in the CBRN marketplace and that competitors in the glove market tend to manufacture less expensive products of varying quality levels that often do not offer the same level of protection as AirBoss® gloves. In general, advantages of our rubber-based defense products (such as hand and footwear and gas masks) over our competitors’ products include a proven longer protective life and the ability for our products to be decontaminated under field conditions. The technological advantages for many of our protective products result from extensive rubber compound development that has gone into the products. Largely because of jointly-developed design features and superior product performance, our CBRN gloves and over-boots are currently the preferred choice of many western militaries including the US Joint Services and the Canadian armed forces, and our C4 gas mask is currently the only gas mask purchased by the Canadian Department of Defense. We believe AirBoss is the only remaining North America manufacturer of firefighter boots and ECW boots, and competition is primarily imports from Asia. We are a PAPR supplier to most of the companies competing in the gas mask and filter space, and we therefore benefit from a large portion of their tactical customers. Further, our PAPRs have the advantage of being approved by the National Institute for Occupational Safety and Health (“NIOSH”) and are supported by such customers as the US National Guard Bureau. For respiratory products, we also obtain a competitive advantage due to our in-house filter production capability. We expect that the launch of our new low burden gas mask (LBM) combined with a PAPR system (once NIOSH approved) will create additional opportunities to gain more traction in the gas mask and filter markets. Various competitors manufacture products that are similar to our ISOPODs and shelters, but we believe AirBoss Defense has a strong footprint and reputation in the CBRN community (both military and civilian). Opportunities exist to expand into other military, healthcare and first responder markets, and there has been a recent consolidation of competitors in this area.

Our automotive business competes with a number of auto part manufacturers of anti-vibration and noise suppressing parts in our markets, including Vibracoustic, Tokai Rubber Industries, ZF Friedrichshafen AG and Hutchinson Antivibration Systems, Inc. We believe our competitive advantages include: long-term customer relationships, sophisticated technical capabilities, cost-effective manufacturing processes and collaborative supplier relationships, which allows for superior speed-to-market response and the access to material science expertise provided by our Rubber Solutions segment.

Marketing, Sales and Distribution

Defense products are primarily marketed to our customers in North America (including the Canadian and U.S. armed forces) directly by in-house sales and business development personnel, and to our international customers through both direct sales efforts and a network of independent agents and resellers. The Company also deals directly with prime contractors and distributors in the U.S., Europe, Asia and the Middle-East that bid on complete CBRN clothing ensembles, which include suits as well as gloves, over-boots and gas masks, or on other larger product offerings that could include our Defense products. A key strategy of the Company is to work with government program managers, bulk purchasing agents and acquisition agencies to incorporate the most stringent specifications for applicable products into their solicitations.

Automotive products are primarily marketed to our customers (vehicle manufacturers and their Tier I/II suppliers) directly through in-house sales and business development personnel. Our marketing and sales staff is closely supported by our engineering and design personnel; a key advantage, as we believe our customers value our automotive business as a technical resource for anti-vibration solutions.

Products are shipped from our facilities to their final destinations via third party carriers. Having a steady supply of parts available is fundamental to keeping automotive assembly lines running. Our
proximity to automotive manufacturers enables our automotive business to meet this deliverable for customers and to support customers with engineering and technical expertise.

Manufacturing

The CBRN boots, gloves and gas mask face plates and components and many of the related rubber compounds are manufactured in Acton Vale, together with assembly, inspection and packaging of these products. Gas mask filters, PAPRs, decontamination shelters, ISOPods, and thermal targeting materials are manufactured, assembled, inspected and packaged in Landover.

All of our North American auto part manufacturing activity, together with technical sales and engineering, prototyping and tooling, in-house secondary processes, as well as quality and logistics expertise that support the smooth running of manufacturing processes occur at our Auburn Hills facilities. Equipment at the facility includes: approximately 70 injection molding presses with 90 to 800 ton capability; rubber-to-metal bonding capability; automation and assembly; testing and validation and mold shop and tool room with CNC and EDM capabilities. In addition, portions of our parts are manufactured in Asia through a joint venture with a local supplier based on various factors, including customer requirements. All of the rubber compounds used to manufacture our parts in North America are supplied by Rubber Solutions.

Environmental Matters

The Company handles hazardous chemicals in its manufacturing process and accordingly is subject to environmental regulation by federal, state, provincial, and local authorities. Manufacturing facilities in Kitchener, Ontario, Scotland Neck, North Carolina and Auburn Hills, Michigan are ISO 14001:2004 certified. The Company has secured liability insurance coverage for potential environmental risks, which the Company believes to be appropriate for the nature of its operations. Management does not anticipate being required to make any significant capital expenditures to comply with applicable environmental regulations, and does not believe that there are any significant financial or operational effects of environmental protection requirements on capital expenditures, earnings or our competitive position now or in the reasonably foreseeable future.

Employees

The number of Company employees as of December 31, 2017 is set out in the table below.

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kitchener, Ontario</td>
<td>245</td>
</tr>
<tr>
<td>Acton Vale and Bromont, Quebec</td>
<td>204</td>
</tr>
<tr>
<td>Auburn Hills, Michigan</td>
<td>425</td>
</tr>
<tr>
<td>Landover, Maryland</td>
<td>81</td>
</tr>
<tr>
<td>Scotland Neck, North Carolina</td>
<td>48</td>
</tr>
<tr>
<td>Newmarket, Ontario</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,014</strong></td>
</tr>
</tbody>
</table>

Approximately 320 employees in Auburn Hills, Michigan and 150 employees in Acton Vale, Quebec are unionized under collective bargaining agreements. The collective bargaining agreement in respect of the employees in Auburn Hills, Michigan was renewed in 2018 for a three-year period. The collective bargaining agreement in respect of the employees in Acton Vale, Quebec, was renewed in 2015 for a two-year period and is in the process of being renewed.
Raw Materials

All critical raw materials required by the Company, in particular natural rubber, are commodities readily traded in world markets. Synthetic rubber and carbon black costs are affected by, among other things, world petroleum prices. The Company sources its raw materials globally and is not dependent on any single source for its raw materials and to date has been able to secure the amount and quality of raw materials needed to meet production requirements.

Intangible Property

Proprietary technology used in our business includes both patented technology (owned or licensed from third parties) and “know-how” that is not or cannot be the subject of intellectual property protection through registration. We protect our “know-how” by carefully safeguarding its storage, use and transmission, including the use, where appropriate, of confidentiality agreements controlling the dissemination of information. Except for some products in the defense business, patented technology does not play a significant role in the protection of proprietary technology at AirBoss. AirBoss has registered various trademarks, including “AirBoss”, in Canada and in the United States for use in connection with products from all of its business segments.

Sales to Significant Customers

During the financial year ended December 31, 2017, sales to five customers represented 29% (31% in 2016) of the consolidated sales of the Company. During 2017, one customer represented 9% (9% in 2016) of consolidated sales.

RISK FACTORS

Impact of Economic Cycle

The demand for the Company’s products can vary in accordance with general economic cycles and the economic conditions of the industry sectors that are served by the Company. In addition, a number of such industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the automotive, tire, energy generation, construction, mining and transportation industries because these industries are significant markets for the Company’s business and are highly cyclical. In a severe economic slowdown, prices for coal, copper and other mined materials may fall, affecting demand for conveyor belting, off-road retread tires and other rubber products manufactured by our customers from rubber compounds manufactured by the Rubber Solutions segment. The global automotive industry is also cyclical, with the potential for regional differences in timing of expansion and contraction. A significant decline in automobile production volumes for the North American market from current levels could have a material adverse effect on the profitability of our Engineered Products segment. In the defense business of Engineered Products, the timing and size of orders from government defense departments worldwide is highly dependent on the political climate in the applicable jurisdiction, the broader geopolitical climate and their impact on defense budgeting and spending and a significant decline in defense budget and spending from current levels could have a material adverse effect on the profitability of our Engineered Products segment.
Political Uncertainty and Policy Change

Certain of the business sectors in which we and our customers operate, particularly in the automotive and defense businesses, are highly globalized industries. Election of protectionist governments or implementation of protectionist trade policies could negatively impact the movement of goods, services and people across borders, including within North America. Uncertainty created by rapidly changing political circumstances may impact our ability to plan effectively for our businesses over the short- and medium-terms, until such time as policy changes or new laws, if any, are implemented. For example, such uncertainty may affect plans relating to establishing operations in new locations (directly or through joint ventures) or potential acquisitions. A material variation between our planning assumptions and actual outcomes could have a material adverse effect on our profitability and financial condition.

Dependence on Key Customers and Contracts

From time to time, a significant portion of the Company’s sales for a given period may be represented by a relatively small number of customers. Net sales from one customer represent 9% (2016 – 9%) of consolidated net sales in 2017. Five customers represented 29% of consolidated net sales in 2017 (2016 – 31%). While the Company continues to work on diversification of its customer base in all segments, there is no assurance of continued success and shifts in market share away from these top customers could adversely impact our profitability.

Raw Materials and Inventory

The Company depends on various outside sources of supply for raw materials used in the production of its products, the price and availability of which are subject to market conditions. As a result, any shortage of such raw materials could potentially delay delivery of our products or supplies, increase our costs and decrease our profitability. The Company maintains multiple supply sources in different areas of the world to mitigate the risk of shortages or price increases experienced in certain, but not all, markets. However, there can be no assurance that such multiple supply sources can be maintained in the future and multiple sources cannot overcome a global shortage in a particular raw material, should one occur.

Historically, raw material markets have been extremely volatile with key materials exhibiting large global price swings within a relatively short period, and the Company does not expect such volatility to cease. Excess inventory or shortages of raw material could prove costly to the Company in these markets.

The Company purchases most of its raw materials on a purchase order basis. The price of many raw materials, such as natural rubber, carbon black and synthetic rubber, ethylene propylene diene monomer (“EPDM”) and silicone is directly or indirectly affected by factors such as exchange rates and the price of oil, and in the case of natural rubber, weather conditions that impact harvest seasons. Although the Company attempts to pass price changes in raw materials on to its customers, it may not always be able to adjust its prices, especially in the short-term, to recover the costs of increased raw material prices. Conversely, if raw material prices decrease significantly and rapidly, the Company may be at risk to recover the cost of any inventory purchased based on demand at higher prices.
The following table approximates the financial impact (assuming changes are not passed along to its customers) on the Company of a 10% increase in the cost of its most critical raw materials based upon purchases made in the respective years:

<table>
<thead>
<tr>
<th>$Millions</th>
<th>Earnings before tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease)</td>
<td>2017</td>
</tr>
<tr>
<td>Natural and synthetic rubber</td>
<td>(2.66)</td>
</tr>
<tr>
<td>Carbon black</td>
<td>(1.17)</td>
</tr>
<tr>
<td>EPDM</td>
<td>(0.78)</td>
</tr>
<tr>
<td>Silicone</td>
<td>(0.83)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(5.44)</strong></td>
</tr>
</tbody>
</table>

**Competition and Price Pressure**

The Company competes directly against major North American and international companies in the custom rubber solutions and automotive market segments. Some of these companies have strong established competitive positions in these markets, including having a direct local presence in international markets where the Company does not, and may be sheltered by domestic tariffs. In the case of rubber compounding, the industry leader may have greater resources, both financial and technical, than the Company and has long-standing relationships with some of the Company’s prospective customers using well-established marketing and distribution networks. Furthermore, the customers of several industry sectors are price sensitive and thus certain of the more commodity-like products in our businesses can be affected by severe price pressure. See “Description of the Business” for a more detailed discussion of competition for each of our three business segments.

**Contract-related Risks**

Contracts from many of our customers, particularly in the rubber compounding and automotive businesses, consist of individual purchase orders or blanket orders under umbrella supply agreements. In these cases, there is no obligation on any customer to continue to issue individual purchase orders and most umbrella supply agreements do not impose minimum purchase requirements and also permit the customer to terminate blanket orders at any time. The termination of blanket orders could result in the Company incurring various pre-production, engineering and other costs that we may not recover from our customer and which could have an adverse impact on our profitability. In addition, it is difficult to predict accurately when opportunities to win contract awards for defense products from Canadian, United States or other foreign governments will arise and how long the contract tender to award and subsequent commencement of production process will take. A prolonged tender process without a corresponding award could also result in the Company incurring various pre-production, engineering and other costs that we may not recover and which could have an adverse impact on our profitability.

**Currency Exposure**

The Company has revenues and expenses denominated in both Canadian (“CAD”) and US (“USD”) dollars. In addition, the cost to the Company of certain key raw materials and other expense items and the competitiveness of prices charged by the Company for its products will be indirectly affected by currency fluctuations. Changes in the value of the Canadian dollar relative to the US dollar could have a material positive or adverse effect on the Company’s results of operations.
The Company reviews its currency exposure positions from time to time and acts accordingly by increasing or decreasing the proportion of operating or term loan borrowings denominated in CAD funds as a natural balance sheet hedge or establishing forward contracts to purchase CAD dollars to manage its foreign exchange risk related to cash flows. However, there is no assurance that such strategies will be successful or cost effective and the profitability of the Company’s business could be adversely affected by currency fluctuations. The following table approximates the following impact on the Company of a $0.10 decrease in the value of one CAD dollar in the Company’s USD functional currency (million):

<table>
<thead>
<tr>
<th></th>
<th>Earnings before tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Sales (1)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Purchases (2)</td>
<td>4.8</td>
</tr>
</tbody>
</table>

(1) Based upon Canadian dollar-denominated sales in 2017.
(2) Based upon combined 2017 Canadian purchases and expenses.

**Health, Safety and the Environment**

The Company’s operations are subject to extensive health, safety and environmental (HSE) regulations by federal, provincial, state and local authorities. The Company employs individuals who undertake manufacturing activity and handle various substances in its manufacturing process, the nature of which may expose the Company to risks of causing or being deemed liable for injury or environmental or other damages. The Company regularly assesses its policies and procedures relating to workplace safety in its production facilities. While its use of potentially hazardous materials is limited, the Company ensures that its operations are conducted in a manner that minimizes such risks and maintains insurance coverage considered reasonable by management. To date, no regulatory authority has required the Company to pay any material fines or remediation expenses in connection with any alleged violation of HSE regulations. However, there can be no assurance that future personal injury or environmental damage will not occur or that personal injury or environmental damage due to prior or present practices will not result in future liabilities. While management believes that the Company is in substantial compliance with all material HSE government requirements relating to its operations, changes in government laws and regulations are ongoing and may make HSE compliance increasingly expensive. It is not possible to predict future costs, which may be incurred to meet such obligations.

**Product Liability and Warranty Claims**

As a manufacturer of rubber-based and other products, the Company faces a risk of product liability and warranty claims from its direct customers and, in some cases, from end-users of its products. Although the Company carries commercial general liability insurance of the types, and in the amounts it believes to be reasonable by industry standards, any claim which is successful and is not covered by insurance or which exceeds the policy limit could have a material adverse effect on the Company.

**Capacity and Equipment**

Our rubber compounding facilities have an annual capacity to process approximately 400 million turn pounds. The Company remains committed to continuous maintenance and upgrading of its equipment. Critical equipment remains not only in a high state of repair, but is also technologically up to date so that the Company is able to ensure the reliability of supply to its customers at competitive prices and at a high quality standard.
The Company has also made investments in capacity and efficiency in its Acton Vale operations. In recent years, the Company purchased molds and injection molding equipment to enhance its presence in protective products, such as CBRN protective gloves, defense footwear and gas masks. The acquisition of Flexible and IRT increased the number of rubber injection molding presses and other types of manufacturing and testing equipment. Should additional equipment be required to fulfill any substantial increases in sales, the Company expects that it can be readily sourced in the market, however any material failure of our equipment or inability to purchase additional required equipment could have a material adverse effect on the Company.

Production Disruptions

Our production facilities, and those of our subcontractors, are subject to risk of shut-down caused by fire, natural disaster or other catastrophic event, labour conflicts or other forces or events beyond our control, or could result from a disruption of supply of source materials from suppliers and sub-suppliers. Any prolonged shut-down of one or more of our production facilities or that of our subcontractors could result in a materially negative impact on our profitability.

Acquisitions and Integration

As part of our growth strategy, we will continue to pursue acquisitions in areas we have identified as consistent with such strategy. However, there can be no assurance that we will identify suitable targets for acquisition or be able to acquire suitable targets successfully. In addition, there is also a risk that the Company may not be able to successfully integrate any acquisitions or achieve all or any of the anticipated synergies of such acquisitions or to do so within the anticipated timelines, any of which could adversely impact our profitability and financial condition.

Key Personnel

The Company’s future success largely depends on its ability to recruit, retain and develop qualified managers and other key personnel. If key persons leave the Company and successors cannot be recruited or if the Company is unable to attract qualified personnel, this could have a negative impact on our profitability and financial condition.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

AirBoss is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business. AirBoss reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance that any particular claim will be resolved in the Company’s favour, management does not believe that the outcome of any claim or potential claims of which it is currently aware will have a material adverse effect on the Company.

During fiscal 2017, the Company (i) was not subject to any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority, (ii) was not subject to any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, and (iii) did not enter into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the following paragraph, no director, executive officer, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class of the voting securities of the Company, and no associate or affiliate of the foregoing persons, has or has had any direct or indirect material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

Pursuant to the purchase and sale agreement related to the acquisition of IRT, described above under the heading “General Development of the Business”, certain individuals employed or formerly employed with the vendors of IRT, including Thomas H. Ripley, the current President of AirBoss Defense, could potentially earn additional amounts of deferred purchase price consideration under earn-out provisions. The purchase and sale agreement and a Form 51-102F4 Business Acquisition Report have been filed on SEDAR and are available at www.sedar.com.

MATERIAL CONTRACTS

On July 24, 2015, we completed the acquisition of all of the membership interests of IRT, as described above under the heading “General Development of the Business” pursuant to a purchase and sale agreement dated June 17, 2015 between AirBoss-Defense Inc., the Company, IRT and the vendors. The purchase and sale agreement provides for customary representations, warranties and indemnities in favour of AirBoss that survive the completion of the acquisition for time periods that range from 18 months (for most representation and warranties) to the applicable statute of limitations (for limited fundamental representation and warranties). The purchase and sale agreement and a Form 51-102F4 Business Acquisition Report have been filed on SEDAR and are available at www.sedar.com.

There are no other contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect.

CAPITAL STRUCTURE

The capital structure of the Company is comprised of an unlimited number of Class A shares without par value designated as common shares ("Common Shares"). The rights of the holders include the rights to vote at all meetings of shareholders and, subject to the rights, privileges, restrictions, and conditions attaching to any other class of shares of the Company, to receive the remaining property of the Company upon dissolution. The number of Common Shares outstanding as at December 31, 2017 was 23,091,113.

The capital structure of the Company also consists of an unlimited number of Class B preference shares without par value and issuable in series subject to the filing of articles of amendment. The directors may fix, from time to time before such issue, the number of shares that is to comprise each series and the designations, rights, privileges, restrictions, and conditions attaching to each series. No Class B preference shares were outstanding as at December 31, 2017.
DIVIDEND RECORD AND POLICY

Holders of Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors, out of funds legally available for such payments. It is the current policy of the Company to pay dividends on a quarterly basis, subject to a review of the anticipated cash requirements of AirBoss’ operating assets and manufacturing activities, and for any potential acquisitions, combined with the current and projected financial position of AirBoss. Our Board of Directors reviews the dividend policy quarterly. We are not required under the policy to pay dividends at any time and our Board of Directors may reduce, defer, or eliminate our Common Share dividend in the future.

The Company has declared the following dividends per share on its outstanding Common Shares during the past three years:

<table>
<thead>
<tr>
<th>Fiscal Period</th>
<th>Dividend per Common Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$0.24</td>
</tr>
<tr>
<td>2016</td>
<td>$0.255</td>
</tr>
<tr>
<td>2017</td>
<td>$0.28</td>
</tr>
</tbody>
</table>

Our ability to pay dividends may be impacted by customary provisions in our credit facilities which limit the payment of dividends if the amount of a proposed dividend, aggregated with all other such dividends, is in excess of a stated threshold and certain financial covenants are also not met. Based on the stated threshold and our compliance with the relevant financial covenants, we do not believe these provisions are likely to restrict our ability to pay dividends in the foreseeable future.
MARKET FOR SECURITIES

The Common Shares are listed on the TSX and trade under the stock symbol “BOS”. The monthly volume of trading and price ranges for the Common Shares for the year ended December 31, 2017 are set forth in the following table:

<table>
<thead>
<tr>
<th>Date</th>
<th>Open</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>11.85</td>
<td>13.31</td>
<td>11.83</td>
<td>13.29</td>
<td>429,393</td>
</tr>
<tr>
<td>February</td>
<td>13.28</td>
<td>13.41</td>
<td>12.67</td>
<td>13.04</td>
<td>439,838</td>
</tr>
<tr>
<td>March</td>
<td>13.18</td>
<td>14.00</td>
<td>11.00</td>
<td>11.72</td>
<td>1,078,453</td>
</tr>
<tr>
<td>April</td>
<td>11.70</td>
<td>12.85</td>
<td>11.68</td>
<td>12.40</td>
<td>570,814</td>
</tr>
<tr>
<td>May</td>
<td>12.45</td>
<td>12.79</td>
<td>11.86</td>
<td>12.50</td>
<td>593,014</td>
</tr>
<tr>
<td>June</td>
<td>12.50</td>
<td>13.26</td>
<td>12.35</td>
<td>13.10</td>
<td>362,305</td>
</tr>
<tr>
<td>July</td>
<td>13.01</td>
<td>13.60</td>
<td>12.95</td>
<td>13.25</td>
<td>227,041</td>
</tr>
<tr>
<td>August</td>
<td>13.10</td>
<td>13.50</td>
<td>11.57</td>
<td>12.00</td>
<td>185,764</td>
</tr>
<tr>
<td>September</td>
<td>12.20</td>
<td>12.26</td>
<td>11.42</td>
<td>11.64</td>
<td>201,231</td>
</tr>
<tr>
<td>October</td>
<td>11.75</td>
<td>11.90</td>
<td>11.50</td>
<td>11.55</td>
<td>263,559</td>
</tr>
<tr>
<td>November</td>
<td>11.60</td>
<td>11.60</td>
<td>10.09</td>
<td>10.43</td>
<td>297,176</td>
</tr>
<tr>
<td>December</td>
<td>10.47</td>
<td>11.36</td>
<td>10.12</td>
<td>10.83</td>
<td>362,741</td>
</tr>
</tbody>
</table>
**DIRECTORS AND OFFICERS**

The tables below provide the names, province or state and country of residence, the office held with the Company and the principal occupation of each of the directors and executive officers of the Company during the past five years and, with respect to each director, the date of his or her election as director.

**Directors**

<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Position(s) with the Company</th>
<th>Principal Occupation</th>
<th>Period of Service as a Director of the Company (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>P. Grenville Schoch Ontario, Canada</td>
<td>Chairman, CEO &amp; Director</td>
<td>Chairman and CEO of the Company</td>
<td>October 13, 1989 to Present</td>
</tr>
<tr>
<td>Brian A. Robbins (2) Ontario, Canada</td>
<td>Director</td>
<td>President and Chief Executive Officer of Exco Technologies Limited (a TSX-listed tooling manufacturing corporation)</td>
<td>June 5, 1997 to Present</td>
</tr>
<tr>
<td>Robert L. McLeish (2)(3)(4) Ontario, Canada</td>
<td>Lead Director</td>
<td>Corporate Director and Chairman of Dundee Corporation (a TSX-listed investment holding company)</td>
<td>February 1, 1999 to Present</td>
</tr>
<tr>
<td>Mary Matthews, CPA, C.A., ICD.D (2)(3)(4) Ontario, Canada</td>
<td>Director</td>
<td>Corporate Director and President and Co-Founder of Santa Comes to Bay Street (a registered charity).</td>
<td>May 29, 2006 to Present</td>
</tr>
<tr>
<td>Alan J. Watson (3)(4) New South Wales, Australia</td>
<td>Director</td>
<td>Corporate Director and Chairman of Pinnacle Investment Management Group Limited (a publicly-traded Australian investment management company).</td>
<td>September 10, 2007 to Present</td>
</tr>
<tr>
<td>Robert L. Hagerman Ontario, Canada</td>
<td>Director</td>
<td>Corporate Director. Previous President and CEO of the Company until his retirement on May 8, 2014.</td>
<td>October 13, 1989 to Present</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Under the by-laws of the Company, each director will hold office until the close of the next annual meeting of shareholders.
(2) Member of the Audit Committee. Mr. Robbins is the Chair of this Committee.
(3) Member of the Compensation Committee. Mr. McLeish is the Chair of this Committee.
(4) Member of the Nominating and Corporate Governance Committee. Ms. Matthews is the Chair of this Committee.
Executive Officers

<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Position(s) with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gren Schoch</td>
<td>Chairman and CEO</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Lisa Swartzman</td>
<td>President</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Daniel Gagnon</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
</tr>
<tr>
<td>Chris Bitsakakis</td>
<td>Chief Operating Officer and</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td>President, Rubber Solutions(1)</td>
</tr>
<tr>
<td>Thomas Ripley</td>
<td>President, AirBoss Defense</td>
</tr>
<tr>
<td>Maryland, USA</td>
<td></td>
</tr>
<tr>
<td>Bradley Berghouse</td>
<td>President, AirBoss Flexible Products</td>
</tr>
<tr>
<td>Michigan, USA</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) Mr. Bitsakakis was appointed Chief Operating Officer of AirBoss of America Corp. and President, Rubber Solutions, on November 6, 2017. Prior to his appointment as President, Rubber Solutions, Robert Dodd held this position.

To the knowledge of the Company, as at March 14, 2018, all directors and senior officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 5,778,978 Common Shares representing approximately 25% of the Common Shares outstanding (based on 23,088,913 Common Shares outstanding as at March 14, 2018).

NAMES AND INTERESTS OF EXPERTS

KPMG LLP are the external auditors of the Company. KPMG LLP have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.
AUDIT COMMITTEE INFORMATION

Membership of Committee

The Audit Committee of AirBoss is comprised of the following three members: Brian A. Robbins (Chair), Mary Matthews and Robert L. McLeish. The responsibilities and duties of the Committee are set out in the Committee’s charter, attached as Appendix A to this Annual Information Form.

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise and has determined that each member of the Audit Committee is “independent” and “financially literate” under Canadian securities laws as defined in National Instrument 52-110 - Audit Committees. The Board has made these determinations based on the education and breadth and depth of the committee members’ experience.

Mr. Brian Robbins, the President, Chief Executive Officer and Director of Exco Technologies Limited (“Exco”), joined the AirBoss Board of Directors in 1997 and is Chair of the Audit Committee. Exco is a TSX-listed supplier of innovative technologies servicing the die-cast, extrusion and automotive industries, with global operations. Mr. Robbins has spent his entire career with Exco. Mr. Robbins is also a director of Héroux-Devtek Inc., a TSX-listed aerospace company, and a member of its audit committee.

Ms. Mary Matthews, CPA, CA, ICD.D, has held various senior roles in credit, banking, marketing and the investment business over her career. Ms. Matthews joined the AirBoss Board of Directors in 2006 and is Chair of the Nominating and Corporate Governance Committee. Currently Ms. Matthews is a private investor.

Mr. Robert McLeish, CFA, spent 35 years in the investment business with Merrill Lynch Canada, retiring from the role of Vice-Chairman and Director in 1998. Mr. McLeish joined the AirBoss Board of Directors in 1999 and was appointed to the role of Lead Director in 2016. Mr. McLeish is also Chairman of Dundee Corporation, a TSX-listed investment holding company, and a member of its audit committee.

Audit related fees

KPMG LLP and were engaged in 2017 to render an audit opinion on the consolidated financial statements of AirBoss and the fees for all services performed are summarized in the table below:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 ($US)</th>
<th>2016 ($US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>347,008</td>
<td>345,143</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax fees</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>All other fees</td>
<td>40,964</td>
<td>13,406</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>387,972</strong></td>
<td><strong>358,549</strong></td>
</tr>
</tbody>
</table>

The Audit Committee has adopted a policy to pre-approve any audit and non-audit services to be provided to AirBoss or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. Audit, audit related services, and tax compliance services as identified in the annual audit plan and presented by the external auditors, are approved by the Audit Committee annually. Non-audit services over $10,000 are approved on a case-by-case basis.
TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services, Inc., at its principal office located at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company’s information circular for its annual general and special meeting of shareholders on May 10, 2018. Additional financial information is provided in the Company’s comparative financial statements and MD&A for the financial year ended December 31, 2017. A copy of such documents may be obtained upon request from the Secretary of the Company, 16441 Yonge Street, Newmarket, Ontario, L3X 2G8.
APPENDIX “A”
AIRBOSS OF AMERICA CORP.

AUDIT COMMITTEE CHARTER

Role and Objective

The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of AirBoss of America Corp. (the “Corporation”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other disclosure containing financial information. The primary objectives of the Committee are as follows:

1. To assist directors on meeting their responsibilities in respect of the review and approval of the financial statements of the Corporation and related documentation;
2. To provide a communication link between independent directors and external auditors;
3. To enhance the external auditor’s independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the independent directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Approval of Charter

Amendments to the Audit Committee Charter require approval by the Board.

Membership of Committee

1. The Committee shall be comprised of at least three (3) directors of the Corporation, none of whom are members of management of the Corporation and all of whom are “independent” (as such term is used in National Instrument 52-110 - Audit Committees (“NI 52-110”), unless the Board shall have determined that an exemption in NI 52-110 is available and has determined to rely thereon.
2. The Board shall appoint a member to be the Committee Chair.
3. All of the members of the Committee shall be “financially literate” (as defined in NI 52-110) unless the Board shall determine that an exemption under NI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon.
Mandate and Responsibilities of Committee

1. The Committee shall provide oversight on the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.

2. The Committee shall satisfy itself on behalf of the Board with respect to the Corporation’s internal control systems and its ability to: (a) identify, monitor and mitigate business risks; and (b) ensure compliance with legal, ethical and regulatory requirements.

3. The Committee shall review (a) the annual and interim financial statements of the Corporation, the related management’s discussion and analysis (“MD&A”) and the related press releases and (b) any proposed disclosure of financial outlooks (including guidance) and future-oriented financial information (FOFI) prior to their submission to the Board for approval and their subsequent public disclosure. The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements in any other public disclosure before release, and shall periodically re-assess the adequacy of those procedures.

4. The Committee’s responsibilities should include but not be limited to:
   - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years’ financial statements;
   - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
   - reviewing accounting treatment of unusual or non-recurring transactions;
   - reviewing disclosure requirements for commitments and contingencies;
   - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
   - reviewing unresolved differences between management and the external auditors; and
   - obtaining explanations of significant variances with comparative reporting periods.

5. With respect to the appointment of external auditors by the Board, the Committee shall:
   - recommend to the Board the external auditors to be nominated;
   - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
   - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors’ independence;
   - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
   - review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the
authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.

6. Review with external auditors (and internal auditor if one is appointed by the Corporation) their assessment of the internal controls of the Corporation, their written reports containing recommendations for improvement, and management’s response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.

7. The Committee shall review risk management policies and procedures of the Corporation, including with respect to hedging, litigation and insurance.

8. The Committee shall establish a procedure for:
   - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
   - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

9. The Committee shall review and approve the Corporation’s hiring policies regarding, and must be apprised of and review any intent of the Corporation with respect to, the hiring of partners, employees and former partners and employees of the present and former external auditors of the Corporation.

10. The Committee shall have the authority to investigate any financial activity of the Corporation. All employees of the Corporation are to co-operate as requested by the Committee.

11. The Committee is authorized to engage independent counsel and other advisors (and to set and pay the compensation of such counsel and advisors so employed) as it determines necessary to carry out its duties and responsibilities at the expense of the Corporation without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every motion shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.

2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.

3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Board.

4. The Committee shall meet with the external auditor without the presence of management of the Corporation at least once per year (in connection with the preparation of the year-end financial statements) and separately with the internal auditor, if any, without the presence of other management at least once a year, and at such other times as the Committee considers appropriate.
5. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.

6. The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee. However, the Committee shall ensure that it holds discussions without the presence of management at each meeting.

7. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.

8. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee.

9. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chair of the Board by the Committee Chair.