



**AIRBOSS OF AMERICA CORP.**

**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2024**

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**March 10, 2025**

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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 INFORMATION

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 information” or “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”, “should” or similar expressions. These statements are not historical facts but instead represent management’s expectations, estimates and projections regarding future events and performance.

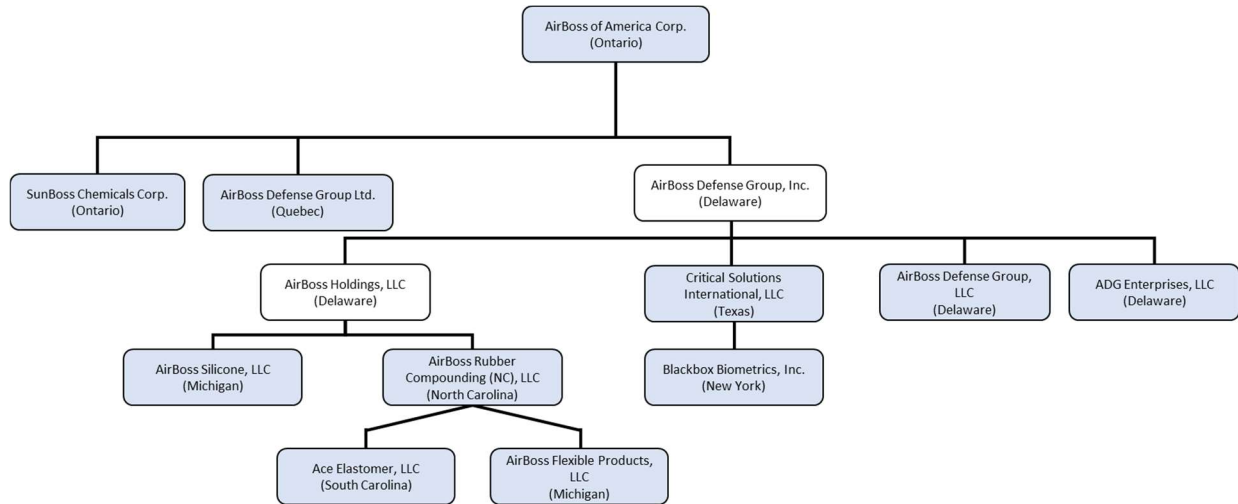
Statements containing forward-looking information are necessarily based upon a number of opinions, estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking information involves 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 the forward-looking information. Numerous factors could cause actual results to differ materially from those in the forward-looking information, including without limitation: impact of general economic conditions, notably including its impact on demand for rubber solutions and products; dependence on key customers; global defense budgets, notably in the Company’s target markets, and success of the Company in obtaining new or extended defense contracts; contract-related risks; 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; AirBoss’ ability to successfully develop and execute effective business strategies; 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; changes in trade policies or the imposition of new tariffs, duties or other similar restrictions which could influence the cost and flow of goods and services across borders; current and future litigation; political uncertainty and policy change; ability to obtain financing on acceptable terms and ability to satisfy the covenants set forth in such financing arrangements; environmental damage and non-compliance with environmental laws and regulations; impact of global health situations; IT/cybersecurity risks; potential product liability and warranty claims and equipment malfunction. There is increased uncertainty associated with future operating assumptions and expectations as compared to prior periods. This list is not exhaustive of the factors that may affect any of AirBoss’ forward-looking information.

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 information. All subsequent written and oral forward-looking information 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 this forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" beginning on page 15.

## THE COMPANY

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. On April 18, 1994, the Company changed 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., which included the Company’s current facilities in Kitchener, Ontario. ITRM Inc. was amalgamated with AirBoss on July 1, 1998. In addition; (i) on April 22, 1999, the Company completed the acquisition of Acton International Inc., which eventually became AirBoss Defense Group Ltd., (ii) on October 21, 2013, the Company completed the acquisition of Flexible Products Co., which eventually became AirBoss Flexible Products, LLC, (iii) on July 24, 2015, the Company completed the acquisition of Immediate Technologies, LLC, which was subsequently renamed to AirBoss Defense Group, LLC, (iv) on January 1, 2020 the Company created AirBoss Defense Group through the merger of its AirBoss Defense business with Critical Solutions International, Inc., (v) on May 17, 2021, the Company acquired BlackBox Biometrics Inc., and (vi) on August 18, 2021, the Company completed the acquisition of Ace Elastomer Inc. (which became Ace Elastomer, LLC). 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 ten wholly-owned operating subsidiaries. AirBoss Rubber Compounding (NC), LLC, Ace Elastomer, LLC, SunBoss Chemicals Corp., AirBoss Silicone, LLC and the rubber compounding operations at AirBoss Defense Group Ltd. /Groupe AirBoss Défense Ltée carry on business, together with the parent company, as “AirBoss Rubber Solutions” or “ARS”. AirBoss Flexible Products, LLC, AirBoss Defense Group Ltd. /Groupe AirBoss Défense Ltée. (other than rubber compounding operations), AirBoss Defense Group, LLC, ADG Enterprises, LLC, Critical Solutions International, LLC and Blackbox Biometrics, Inc. carry on business as “AirBoss Manufactured Products” or “AMP”. AirBoss Holdings, LLC and AirBoss Defense Group, Inc. are holding companies, neither of which carry on any operations on behalf of AirBoss.



Shading key: Blue = Operating company  
 White = Holding company  
 Ownership: 100% owned unless otherwise specified

## OUR BUSINESS

AirBoss of America is a diversified developer, manufacturer and provider of survivability solutions, advanced custom compounds and finished rubber products that are designed to outperform in the most challenging environments. The Company operates through two segments, AirBoss Rubber Solutions and AirBoss Manufactured Products. The Rubber Solutions segments consists of the organization's rubber and silicone compounding operations. The Manufactured Products segment consolidates all AirBoss operations which manufacture or distribute finished products and consists of the rubber molded products business, known as AirBoss Engineered Products or AEP, and the defense products business, known as AirBoss Defense Group or ADG. Each of the segments is discussed in detail under the section entitled "Description of the Business" below. The Company's shares trade on the TSX under the symbol BOS and on the OTCQX under the symbol ABSSF.

### **AirBoss Rubber Solutions**

AirBoss Rubber Solutions is one of North America's largest custom compounding companies, with a capacity to process over 500 million turn pounds of rubber annually (inclusive of the compounding operations in Acton Vale, Quebec)<sup>1</sup>. The business is engaged in the development and manufacturing of custom rubber formulations and compounds, calendered and extruded material and molded products, for a broad range of applications and industries including automotive, heavy industry, rollers, conveyor belting, defense, construction & infrastructure, mining, transportation, and oil and gas. This segment has locations in Kitchener, Ontario, Acton Vale, Quebec, Rock Hill, South Carolina, Scotland Neck, North Carolina, and Auburn Hills, Michigan (silicone compounding). Recently, as part of the Company's strategic plan to broaden ARS's range of product offerings, this segment launched a silicone compounding line in Auburn Hills, Michigan. Currently this line manufactures silicone compounds for AMP, ARS' sister division, although plans and trials are underway to expand manufacturing and sales to third-party customers.

### **AirBoss Manufactured Products**

AirBoss Manufactured Products consists of the Company's rubber molded products business, known as AirBoss Engineered Products, and the Company's defense products business, known as AirBoss Defense Group.

AirBoss Engineered Products operates out of Auburn Hills, Michigan and is a manufacturer and supplier of customized rubber- and silicone-based products, including anti-vibration and noise dampening solutions, primarily to the North American automotive, electric vehicle, heavy truck & off-highway, industrial and defense industries. This business's primary focus is the design, engineering and manufacturing of rubber, synthetic rubber, silicone 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 vehicles and improve the overall experience of a vehicle's passengers. In addition to its traditional sales to the automotive market, this business has also recently put in place a dedicated non-auto team with the goal of diversifying into adjacent sectors by cross-selling to its existing customer base and through outreach to sector leaders.

AirBoss Defense Group is a defense and survivability solutions provider focused on delivering critical capability to personnel operating in high-risk environments around the world. The business provides military, law enforcement, industrial providers and first responders with a diverse portfolio of protective

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<sup>1</sup> Sections 4.1 and 12.7, *Global Rubber Compound Market Insights, Forecast to 2027*, published by QYR Research.

equipment that spans the survivability spectrum. AirBoss Defense, an ADG brand, is a global provider of healthcare protective equipment, personal respiratory protective products, Chemical, Biological, Radioactive, Nuclear and Explosive ("CBRN-E") protective equipment, rapid deployment negative pressure isolation shelters and cold weather combat footwear. AirBoss Defense's emergency response and personal protective equipment is utilized by the Department of Defense, U.S. Department of State, U.S. Department for Health and Human Services ("HHS"), Office of Strategic Medical Preparedness, U.S. Federal Emergency Management Agency ("FEMA"), CDC infectious disease treatment centers, other government agencies and private companies.

### **Contributions to Consolidated Revenue**

The breakdown of the percentage contribution towards AirBoss consolidated revenues for 2024 and 2023 for each of the two business segments is set out in the chart below:

<b>Business Segment</b>	<b>Contribution in 2024</b>	<b>Contribution in 2023</b>
AirBoss Rubber Solutions	54.5%	53.1%
AirBoss Manufactured Products	45.5%	46.9%

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Developments in the last three years**

In February 2024, AirBoss announced details of its new strategic transition, including a shift in reportable segments which commenced with the year ended December 31, 2023. This transition consolidated all compounding operations into one segment, AirBoss Rubber Solutions, emphasizing this segment's ability to act as the core driver for sustainable growth and productivity. The AirBoss Manufactured Products segment consolidated all operations which manufacture or distribute finished products to a variety of target markets including automotive, non-automotive and defense. The strategic transition also included the exploration of mid-term monetization of the Company's real-estate holdings in an effort to build a state-of-the-art flagship rubber compounding facility and an in-depth strategic review of all of AMP's individual product lines.

In November 2024, the Company entered into new senior secured credit facilities consisting of aggregate financing up to US\$180 million, which replaced its then-current senior secured revolving credit facilities. The new credit facilities consisted of a revolving asset-backed credit facility and a non-revolving term loan facility. The maturity date under both facilities is November 29, 2027. The new facilities are expected to provide AirBoss with the financial flexibility it requires to continue to execute its strategic transition.

To support longer-term growth, AirBoss has invested in a series of key strategic initiatives across the business in the past several years with a dual focus on innovation and diversification. For the Rubber Solutions segment, areas of investment included new mixing lines in Kitchener, ON and Scotland Neck, NC that, increased annual capacity by 20 and 50 million pounds, respectively and will continue to support, production of a broader array of compounded products (white and color). In the Manufactured Products segment, AirBoss piloted new molding equipment at its Auburn Hills, Michigan plant and sourced and ordered two new robotic work cells. Together, these advanced manufacturing initiatives are expected to reduce cycle times and permit more effective management of labour costs.

In general, increased volatility in commodity prices for natural and synthetic rubber, steel and other key ingredients have presented challenges to the Rubber Solutions and Manufactured Products segments over the past several years following a period of relatively stable commodity prices. Additionally, recently-implemented tariffs and the heightened risk of further tariffs have further complicated cost structure and supply chain dynamics, affecting the sourcing and supplying of raw materials, as well as cross-border sales. The Company continues to be focused on further process improvement initiatives and developing effective purchase and pricing strategies to be more proactive in the marketplace, as well as the previously announced expansion initiatives at several of its facilities.

In December 2022, a statement of claim was filed in the Ontario Superior Court of Justice against AirBoss and several named officers. The applicants under the proceeding sought an order for leave to proceed under the *Securities Act* (Ontario), certifying the proceeding as a class proceeding and appointing them as representative plaintiffs. The applicants sought, among other relief, a declaration that the Company made misrepresentations contrary to the *Securities Act* (Ontario) during a period extending from November 9, 2021 to September 6, 2022, as well as unspecified damages. In May 2024, the Company announced that the matter was settled within insurance limits, that none of the defendants admitted any liability, wrongdoing, or fault as part of the settlement and that it did not result in any direct financial impact to the Company.

## DESCRIPTION OF THE BUSINESS

### **AirBoss Rubber Solutions**

The Rubber Solutions segment manufactures over 2,000 different custom formulations and compounds from various natural and synthetic polymers, reinforcing agents and various additives and chemicals, for a wide variety of customers in North America. The segment has locations in Kitchener, Ontario, Scotland Neck, North Carolina, Acton Vale, Quebec, Rock Hill, South Carolina and Auburn Hills, Michigan (silicone compounding). Formulas are developed by chemists and technical staff to meet specific customer requirements or are supplied by the customer.

Management believes the main advantages the Rubber Solutions segment has over many of its competitors are its customer-focused approach, large capacity, state-of-the-art equipment and laboratory, 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 strives to provide its customers with consistent quality products 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. In addition to a quality control laboratory, the Company has an R&D Technical Center and Laboratory at its flagship manufacturing facility in Kitchener. The laboratory has been accredited to the internationally recognized ISO 17025 laboratory standard by the American Association of Lab Accreditation (A2LA). AirBoss believes this laboratory is a key differentiator when comparing the Company to other rubber compounding operations.

Recently, as part of the Company's strategic plan to broaden ARS's range of product offerings, this segment launched a silicone compounding line in Auburn Hills, Michigan. Currently this line manufactures silicone compounds for AMP, ARS' sister division, although plans and trials are underway to expand manufacturing and sales to third-party customers.

## *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 Solutions segment's primary research and development facilities are located at this facility. The facility in Scotland Neck, North Carolina has approximately 150,000 square feet with manufacturing and office space. The Rock Hill, South Carolina facility has approximately 40,000 square feet of manufacturing and office space and is leased. The facility in Acton Vale, Quebec has approximately 260,000 square feet of manufacturing and administrative resources. The silicone compounding line is located in AMP's facility in Auburn Hills, Michigan.

## *Markets*

The Company's custom compounds and calendered and extruded rubber products are used in the manufacture of automotive parts, conveyor belting, rollers, off-road tire retreads, defense products, track, mining products, various industrial rubber products for use in the construction, infrastructure, oil & gas and other markets, and solid tires. No single market or industry accounted for more than 25% of the net sales in the rubber compounding business in 2024. 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 or focused on relatively few sectors, and accordingly exposed to the cyclicity of a single industry.

## *Competition*

Recent consolidations and prevailing market conditions have resulted in a very competitive environment for the 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 the Company believes has a stated rubber compounding capacity of more than 700,000 metric tons (or approx. 1.4 billion pounds) annually in North America. Management believes that American Phoenix, Inc. is also a significant competitor. Other competitors in the United States generally have lower manufacturing capacity than AirBoss and are typically more specialized. Of the remaining competitors in North America, we believe that three possess capacity to process more than 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 locations of the Company's manufacturing facilities in Kitchener, Ontario, Scotland Neck, North Carolina, Acton Vale, Quebec, Rock Hill, South Carolina and Auburn Hills, Michigan, allow 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 experienced sales personnel with access to significant technical resources, including an extensive product development laboratory and polymer chemists. The Company advertises in industry trade publications, on the Internet and through social media, 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 southeastern 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 continue serving 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 manufacturing process is capital intensive. AirBoss operates six mixers at its Kitchener location, including a white/colour mixing line. 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, automatic weighing systems for powders as well as custom designed robotic equipment for piling and packaging of finished compound in strip form. Batch sizes can be up to almost 800 pounds, with batch cycle times ranging from two to five minutes.

The facilities in Scotland Neck, North Carolina, which has two mixing lines, Acton Vale, Quebec and Rock Hill, South Carolina supplement the capabilities of the Kitchener plant, providing a combined custom rubber compound capacity of over 500 million turn pounds annually.

The facility in Rock Hill, South Carolina specializes in colour compounds, and has formulas to meet the specific requirements for each customer application. Through its multiple calendaring, straining and colour lines this facility provides formulation development, custom mixing, and proprietary technologies ready for fabrication and vulcanization. Full lab and mixing services are also available.

The recently launched silicone compounding line in Auburn Hills, Michigan, currently manufactures silicone compounds for AMP, ARS' sister division. Trials are underway to expand manufacturing and sales to third-party customers. The Kitchener, Ontario and Scotland Neck, North Carolina facilities are registered to the ISO 9001:2015 (Quality Management System), and ISO 14001:2015 (Environmental Management System) International Standards. The facility in Acton Vale, Quebec, is registered to the ISO 9001: 2015 (Quality Management System) International Standard. All Rubber Solutions facilities strive to place health & safety as a top priority, adhere to governmental and industry health & safety regulations, and aim to continually improve in safety, quality and environmental impact.

### **AirBoss Manufactured Products**

AirBoss Manufactured Products operates in Canada and the United States and is comprised of the AirBoss Engineered Products and AirBoss Defense Group.

#### **Engineered Products**

The Engineered Products business operates out of Auburn Hills, Michigan and is a manufacturer and supplier of customized and engineered rubber-based products, including anti-vibration and noise dampening solutions, primarily to the North American automotive, electric vehicle, heavy truck & off-highway, industrial and defense industries. This segment's business primarily consists of designing, engineering, manufacturing and selling molded and rubber-to-metal bonded anti-vibration and noise-suppression products (including hydro mounts, exhaust hangers, engine mounts, boots, dampers, sway bar bushings and spring insulators) to the North American automotive industry, with a recent expansion into adjacent sectors. This business was formerly referred to as our anti-vibration business.

### *Facilities*

The research & development, design, manufacture and administrative resources for the Engineered Products business are located in Auburn Hills, Michigan, where we lease two facilities with combined tooling, prototyping, molding, assembly, and warehousing and office space of 275,000 square feet. These facilities are registered to IATF 16949:2016, ISO 9001:2015 and ISO 14001:2015 International Standards.

### *Markets*

The Engineered Products business strives to produce high-quality, low cost, products for multiple domestic and off-shore automakers and major Tier I/II suppliers to the global automotive market. Recently the business has also begun expanding into adjacent sectors and launched its first non-automotive product in 2020.

### *Competition*

The Engineered Products business competes with a number of manufacturers of anti-vibration and noise suppressing parts, including Vibracoustic, Conti-Tech, Sumitomo Riko and Hutchinson Antivibration Systems, Inc. We believe our competitive advantages include: long-term customer relationships, sophisticated technical capabilities, cost-effective manufacturing processes (both in the United States and with our joint venture partner in Malaysia) and collaborative supplier relationships, which allows for superior speed-to-market response and the access to material science expertise provided through the Rubber Solutions segment.

### *Marketing, Sales and Distribution*

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

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 Engineered Products business to meet this deliverable for customers and to support customers with engineering and technical expertise.

### *Manufacturing*

All of our North American engineered products manufacturing activity, together with technical sales and engineering, virtual and hard tool prototyping, in-house secondary processes, as well as quality and logistics expertise that support the manufacturing operations occur at our Auburn Hills facilities. Equipment at the facility includes two robotic work cells, approximately 70 injection molding presses with 90 to 800-ton capability; rubber-to-metal bonding capability; automation and assembly; testing and validation, mold manufacturing and repair with computer numerical control (CNC) 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.

### **AirBoss Defense Group**

ADG is a defense, survivability and healthcare company that provides military, law enforcement, healthcare providers, industrial providers and first responders with a diverse portfolio of protective equipment that spans the survivability spectrum. AirBoss Defense, an ADG brand, manufactures and sells healthcare protective equipment, personal respiratory protective products, CBRN-E protective equipment,

rapid deployment negative pressure isolation shelters and cold weather combat footwear. AirBoss Defense's emergency response and personal protective equipment is utilized by the Department of Defense, U.S. Department of State, HHS, Office of Strategic Medical Preparedness, FEMA, CDC infectious disease treatment centers, other government agencies and private companies. The defense products line is supported by internal research and development for customised product design and development. In addition, Critical Solutions International, LLC (CSI) is a global supplier of route clearance vehicles, countermine capability and survivability products to U.S. and foreign military forces. Its products include the Husky vehicle mounted mine detector and related accessories, Bandolier light weight clearing charge and Rollover Detection Warning System. Blackbox Biometrics, Inc. (B3), acquired in 2021, is the developer of the Blast Gauge System of lightweight wearable blast overpressure sensors which are used by U.S. and international militaries, law enforcement and researchers.

### *Facilities*

The facility in Acton Vale, Quebec has approximately 260,000 square feet of space, encompassing manufacturing, research and development and administrative resources, some of which are shared with the Rubber Solutions segment. The facility in Jessup, Maryland has approximately 105,000 square feet of space and is leased. The facility in Charleston, South Carolina has approximately 2,000 square feet of space, encompassing sales, program management and administrative resources, and is leased. The Rochester, New York facility has approximately 2,500 square feet of space and is leased.

### *Markets*

ADG markets its products globally to government agencies, armed forces and other military organizations, first responder organizations, health care providers, law enforcement agencies and to industrial users. In particular, we market our gas masks, PAPRs, rubber gloves, over-boots, rapidly deployable shelters, ISOPods, and filter canisters for military, first responder and law enforcement applications requiring CBRN-E contaminant protection and also develop and supply extreme cold weather ("ECW") footwear protection, clearance vehicles, countermine capability and survivability products for military use.

### *Competition*

ADG competes in all markets with several North American and European-based companies. With respect to route clearance vehicles, countermine capability and survivability products, we believe our continued strong relationships with militaries, manufacturers and other key stakeholders globally ideally places us to tender and win high-value contracts around the world. With respect to CBRN-E hand and footwear, we believe that the majority of 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 ADG 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 and sophisticated manufacturing processes that have gone into the products. We believe that largely because of jointly-developed design features and superior product performance, our CBRN-E 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 Low Burden Gas Masks ("LBM") have been purchased by the Canadian and Australian armed forces.

We believe ADG is the only remaining North America manufacturer of rubber firefighter boots and ECW boots, and competition is primarily imported 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. For respiratory products, we also obtain a competitive advantage due to our in-house filter production capability. The continued development and roll-out of the LBM, as well as the AirBoss 100 half-mask, are also expected to 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 ADG has a strong footprint and reputation in the CBRN community (both military and civilian). We also believe that opportunities exist to expand into other military, healthcare and first responder markets.

### *Market Sales & Distribution*

Defense products are primarily marketed to our customers in North America (including the Canadian and U.S. armed forces and U.S. government agencies) 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 re-sellers. 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-E 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 and clearance vehicles. 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.

### *Manufacturing*

The CBRN-E boots, gloves and gas mask face plates and components and many of the related rubber compounds are manufactured in Acton Vale, Quebec and Auburn Hills, Michigan, together with assembly, inspection and packaging of these products. Gas mask filters, PAPRs, decontamination shelters and ISOPODs are manufactured, assembled, inspected and packaged in Maryland (with the Auburn Hills, Michigan facility also involved in PAPR manufacturing). The Blast Gauge Systems are currently manufactured at the Rochester, New York facility.

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, calendaring and extruding equipment, includes multiple injection molding and compression presses.

The facilities in Acton Vale, Quebec, Charleston, South Carolina, Jessup, Maryland and Rochester, New York are registered to the ISO 9001: 2015 (Quality Management System) International Standard.

## **Environmental Matters**

The Company 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 14001:2015 certified with the facilities in Acton Vale, Quebec and Charleston, South Carolina being ISO 9001:2015 compliant. The Company has 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 significant capital expenditures to comply with applicable environmental regulations, and does not believe that there are significant financial or operational effects of environmental protection requirements on capital expenditures, earnings or our competitive position at this point in time. In addition, by commencing to follow the Sustainability Accounting Standards Board (SASB) and Task Force on Climate Related Financial Disclosures (TCFD) frameworks, the Company is striving to focus on the most important metrics to all stakeholders while also considering climate related risks and opportunities.

### *Environment and Sustainability*

The interaction between the business and the environment is monitored to manage and limit environmental impacts. At AirBoss, we strive to be responsible stewards of the environment. Environmental data is gathered and analyzed, under a standardized framework and sustainability software platform to compare past and present metrics and monitor resource management and our impact on the surrounding environment. Going forward, the Company intends to use its approach to sustainability as a tool that will aid it in understanding these aspects of the business and their environmental impacts.

AirBoss strives for compliance with all regulations regarding chemicals used in our products and aims for innovation to make materials that are sustainable and environmentally friendly for our customers to use.

The emissions at the manufacturing facilities are tracked to evaluate performance and efficiency and determine where improvements can be made. AirBoss also participates in climate disclosures, such as CDP ([www.cdp.net](http://www.cdp.net)) for corporate environmental reporting to demonstrate transparency with our stakeholders and contribute to the dataset towards a global sustainable economy.

AirBoss is committed to the protection of the environment, the health and safety of its employees and customers, the communities where we work and live, and to the fulfillment of compliance obligations. The Company has policies in place, such as a Human Rights Policy, to protect the rights and freedoms of each employee while creating a positive work environment and community. In addition, AirBoss has a Code of Conduct for Suppliers and Service Providers to help ensure responsible sourcing and ethical business practices from its supply chain. Frequent critical risk analyses allow for the assessment of risks to cater and implement preventative measures and training to decrease the total number of accidents occurring at any of our workplaces. Alongside health and safety initiatives, the Company has implemented a Diversity and Inclusion Policy to enforce its vision of equity and representation in our workforce. AirBoss supports participating in philanthropic causes important to the company's values, evidenced by the involvement of employees and executives supporting charities and the community.

Creating a fair and supportive workforce in all its locations is a high priority for the Company, along with having effective and efficient personnel to promote organizational success. AirBoss strives to work hand in hand with all stakeholders including the surrounding communities, the government, individual and institutional investors, and customers.

## *Governance*

AirBoss understands that all processes and values put in place are for the success and longevity of the organization. Governance is a crucial component in developing a strong work environment that improves both the environmental and social aspects of a company. At AirBoss, our managerial staff are committed to making real changes within the company to ensure that we have our best foot forward as we progress into the future. Being able to create effective policies and codes that align with our company values and message, is an area that we will continue to develop and monitor to ensure sustainable growth. The overall corporate governance policies apply to all divisions and locations to provide standardization and unity across the corporation. Further governance documentation is available to review on the AirBoss website at <https://airboss.com/corporate-governance/>.

## Employees

The number of Company employees as of December 31, 2024 is set out in the table below.

Location	Number of Employees
Kitchener, Ontario	351
Acton Vale, Quebec	316
Auburn Hills, Michigan	364
Jessup, Maryland	39
Scotland Neck, North Carolina	76
Charleston, South Carolina	7
Rock Hill, South Carolina	52
Rochester, New York	7
Newmarket, Ontario	12
<b>Total</b>	1224

Approximately 272 employees in Auburn Hills, Michigan and 234 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 2023 for three years. The collective bargaining agreement in respect of the employees in Acton Vale, Quebec, was renewed in 2022 for four years.

## 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 generally 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” and “trade secrets” that are not, or cannot be, the subject of intellectual property protection through registration. We protect our “know-how” and “trade secrets” by carefully safeguarding their 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.

## **RISK FACTORS**

### **Impact of Economic Cycle**

Demand for the Company's products is highly sensitive to general economic cycles and the economic conditions of the industry sectors it serves. In addition, a number of our customers' industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the defense, 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. A general economic slowdown or deteriorating economic conditions in our customers' specific industry sectors could have a material adverse effect on our profitability, financial condition and long-term growth prospects.

At Manufactured 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; a significant decline in defense budget and spending from current levels could have a material adverse effect on the profitability, financial condition and long-term growth prospects of Manufactured Products. In particular, 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, financial condition and long-term growth prospects of our Manufactured Products segment.

### **Political Uncertainty and Policy Change**

Certain of the business sectors in which we and our customers operate, both in the Manufactured Products' and Rubber Solutions' segments, are either highly-globalized industries or industries which rely on the movement of goods between Canada and the United States. The 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. In particular, the recently-enacted tariffs and the potential for further escalating cross-border tariffs between the U.S. and Canada, as well as other countries, introduces heightened uncertainty that could materially adversely impact our supply chains, increase production costs, and erode our competitive positioning.

The recently-introduced tariffs and the potential for further increased tariffs on goods exported from Canada to the U.S. could significantly raise our production costs and reduce profit margins. Retaliatory tariffs could further disrupt supply chains and restrict our market access.

"Buy in America" policies could limit the Company's ability to secure U.S. government contracts, necessitating changes in supply chain strategies to comply with local content requirements.

Uncertainty created by rapidly changing political and trade environments 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, and particularly as tariff negotiations, retaliatory measures, and evolving regulatory frameworks remain fluid. 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, financial condition and long-term growth prospects.

## 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 doubling or halving in price 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 does not have long-term supply contracts with the majority of its suppliers and purchases most raw materials on a purchase order basis. The price of many raw materials, such as carbon black, synthetic and natural rubber, chemicals for rubber mixing, steel 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:

\$Millions Increase (decrease)	Earnings before tax	
	2024	2023
Natural and synthetic rubber	(6.15)	(7.27)
Chemicals (Rubber mixing)	(4.98)	(4.55)
Steel	(2.61)	(3.08)
Carbon black	(2.04)	(3.10)
Silicone	(0.49)	(0.67)
	(16.27)	(18.67)

## Competition and Price Pressure

The Company competes directly against major North American and international companies. 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, which in turn could adversely impact our profitability in those areas. See "Description of the Business" for a more detailed discussion of competition for each of the business segments.

## **Litigation**

In December 2022, a statement of claim was filed in the Ontario Superior Court of Justice against AirBoss and several named officers. The applicants under the proceeding sought an order for leave to proceed under the *Securities Act* (Ontario), certifying the proceeding as a class proceeding and appointing them as representative plaintiffs. The applicants sought, among other relief, a declaration that the Company made misrepresentations contrary to the *Securities Act* (Ontario) during a period extending from November 9, 2021 to September 6, 2022, as well as unspecified damages. In May 2024, the Company announced that the matter was settled within insurance limits, that none of the defendants admitted any liability, wrongdoing, or fault as part of the settlement and that it did not result in any direct financial impact to the Company.

In addition to ongoing litigation, the Company may become party to litigation from time to time in the ordinary course of business which could adversely affect our business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for our shares, and could require the use of significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

## **Contract-related Risks**

Contracts from many of our customers 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 or other contracts 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 a material adverse impact on our financial condition or profitability.

In addition, it is difficult to accurately predict when opportunities to win contract awards for defense products and personal protective equipment from the United States, Canadian or other foreign governments or agencies 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 a material adverse impact on our financial condition or profitability. Obtaining new contract awards from U.S. government agencies may be adversely impacted by changes in procurement policy including "Buy in America" policies.

Customers may also cancel contracts for convenience or due to changes in political or economic conditions, including geopolitical instability, government budget constraints or shifting procurement priorities. Failing to win new contract awards or losing existing contracts could have a material adverse impact on our financial condition or profitability.

## **Financing-Related Risks**

The Company's ability to secure necessary financing on acceptable terms is crucial for day-to-day operations, capital improvements, strategic initiatives and growth. Failure to obtain, maintain or renew such financing could have a material adverse effect on the Company's liquidity, financial position and operations.

The Company's credit facilities require that the Company does not exceed certain ratios, including covenants related to minimum adjusted EBITDA and liquidity requirements. The Company uses forecasts to project its future compliance with these financial covenants and has in the past negotiated amendments to these covenants when there was a risk of default. Compliance with these covenants is dependent on the

Company's financial performance, which could be adversely affected by various factors, such as changes in geopolitical or economic conditions, including tariffs and trade restrictions, operational results and customer contracts. Should results for any fiscal period not meet the Company's expectations it may request amendments of these covenants in order to remain in compliance, though there is no guarantee such a request will be granted by the Company's lenders. Failure to obtain such amendments could result in the Company's lenders taking certain actions including acceleration of debt repayment, imposition of additional restrictive covenants, increased borrowing costs or cross-default risks, which could have a material adverse effect on the Company's liquidity, financial position and operations.

In addition, credit availability under the Company's credit facilities is subject to asset-values, cash on hand, accounts receivable and inventory levels, which could also be impacted by various factors, such as geopolitical or economic conditions, including tariffs and trade restrictions, operational results and customer contracts. A decrease in credit availability could have a material adverse effect on the Company's liquidity, financial position and operations.

### Currency Exposure

The Company has net sales 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 reacts accordingly by increasing or decreasing the proportion of borrowings denominated in CAD funds as a natural balance sheet hedge or establishing forward contracts to purchase CAD funds 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 impact on the Company of a \$0.10 decrease in the value of one CAD dollar in the Company's USD functional currency (million):

\$Millions Increase (decrease)	Earnings before tax	
	2024	2023
Sales <sup>(1)</sup>	(1.7)	(1.7)
Purchases <sup>(2)</sup>	5.4	6.2

(1) Based upon Canadian dollar-denominated sales.

(2) Based upon Canadian dollar-denominated repayments, purchases and expenses.

The Company's term loan (denominated in USD) is secured against certain real estate (valued in CAD) and capital equipment. An increase in the value of the USD to CAD decreases the value of the collateral in USD. If the value of collateral is insufficient, the Company is required to make a principal repayment to cover the shortfall. At December 31, 2024, a \$0.10 decrease in the value of one Canadian dollar in US currency would require a principal repayment of \$1,797.

### 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.

### **Impact of Global Health Situations**

Global health situations can have an impact on the Company's operations. The duration and scope of future outbreaks is not known with any certainty and the Company is unable to accurately project the ultimate impact on the business. However, if outbreaks continue for an extended period of time, AirBoss may continue to experience supply chain and logistics challenges, in particular given production delays throughout the world, a decline in sales activities, and reductions in operations and workforce.

### **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 represented approximately 10% (2023: 9%) of consolidated net sales in 2024. Five customers represented 30% (2023: 31%) of consolidated net sales in 2024. 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.

### **Product Liability and Warranty Claims**

As a manufacturer of rubber-based and other products, products which are used in vehicles and products which are worn by individuals in the defense and first responder communities, 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 and its results.

### **Capacity and Equipment**

Our rubber compounding facilities have an annual capacity to process over 500 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 made regular investments in capacity and efficiency across its operations and 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 and suppliers, are subject to risk of shut-down caused by fire, natural disaster or other catastrophic event, pandemic, 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.

## **Climate Change Risks**

### *Extreme weather events and natural disasters*

Extreme weather events such as floods and windstorms and other natural disasters caused by climate change could cause catastrophic destruction to some of our or our suppliers' facilities, interrupt the Company's and its suppliers' and customers' operations and activities and interrupt the ability of raw materials and finished products to be received from suppliers and delivered to customers (physical risks), which could in turn disrupt our production and/or prevent us from supplying products to our customers. Climate change may also have indirect effects on the Company's business by increasing the cost of (or making unavailable) property insurance on terms the Company finds acceptable, as well as increasing the costs of maintenance, capital replacement and expansion, energy, water and other services at the Company's facilities. In addition to physical risks associated with climate change, the potential future requirements that could be imposed by external stakeholders in the transition to a net-zero economy (transition risk) may also impact the Company's business operations. While we conduct risk assessments of our facilities and have implemented mitigation strategies to address, such as insurance policies which protect against property damage and business continuity risk, where practical, physical risks related to extreme weather events or natural disasters and the frequency and severity of any such event can vary by region and cannot be predicted. A catastrophic destruction of our facilities or those of our suppliers could have a material adverse effect on our operations and profitability.

### *Reputational risks*

As public awareness and concern about climate change increases, consumer preferences are rapidly evolving towards environmentally friendly and sustainable products. There is a risk that we may face reputational challenges if our products or processes are perceived as harmful to the environment or lagging behind our peers in sustainability practices. In addition, there is a growing emphasis on sustainable and responsible investment criteria by institutional and retail investors that could impact our Company's attractiveness to investors. Failure to meet these evolving criteria may result in a revaluation of our Company by the market, potentially affecting our stock price and access to capital.

### *Market Risks*

Climate change poses risks to the stability and cost-efficiency of our global supply chain. Extreme weather events, such as floods, hurricanes, and droughts, can disrupt production and logistics, leading to increased costs and delays. These disruptions could impact our ability to meet customer demand and maintain competitive pricing. In addition, regulatory and societal shifts towards a low-carbon economy could significantly alter demand for certain materials and products. Our Company may face risks associated with

shifts in demand for our products, particularly if we are unable to adapt our offerings to align with market transitions towards sustainable alternatives.

### *Policy Risks*

The introduction of new regulations aimed at reducing carbon emissions and green house gas emissions, such as carbon pricing mechanisms, emissions trading schemes, and stricter environmental standards, could result in significant compliance costs. Management believes that the Company is in substantial compliance with all material environmental regulations relating to its operations however changes to these regulations are ongoing and accordingly may make compliance increasingly expensive. These costs may impact our profitability and require substantial capital investments to adapt our operations and products. In addition, the Company faces the risk that the certain chemicals and raw materials which are used in the manufacturing of rubber compounds could be restricted or prohibited from use, which the Company would have to mitigate by finding alternatives, which could in turn increase the costs of its products and make them less attractive to customers. Further, the global transition to a low-carbon economy could impose additional regulatory compliance costs if our business model, operations, or products do not align with emerging regulatory requirements or incentives for low-emission technologies, which could affect our competitive positioning and necessitate significant strategic adjustments.

### *Catastrophic Events*

AirBoss has operations and facilities which manufacture products in Canada and the United States. Natural events (such as a hurricane or major earthquake), terrorist attack, pandemics, epidemics, outbreaks of an infectious disease or similar events or other catastrophic events, including adverse weather events associated with global climate change which have increased in severity and frequency in recent years, could cause delays in developing, manufacturing or selling products. Although AirBoss conducts risks assessments and implements mitigation, such as property and business continuity insurance, and third-party supplier monitoring, such events that occur in major markets where AirBoss sells products could reduce the demand for our products in those areas and, as a result, impact our sales into those markets. In either case, any such disruption could have a material adverse effect on the Company's business, financial condition and results of operations.

### **IT/Cybersecurity Risks**

Although we have established and continue to enhance security controls intended to protect our IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber-attacks. A significant breach of our IT systems could: result in theft of funds; cause disruptions in our manufacturing operations; lead to the loss, destruction or inappropriate use of sensitive data; or result in theft of our, our customers' or our suppliers' intellectual property or confidential information. The occurrence of any of the foregoing could adversely affect our operations and/or reputation, and could lead to claims against us that could have a material adverse effect 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 acquisition 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.

In December 2022, a statement of claim was filed in the Ontario Superior Court of Justice against AirBoss and several named officers. The applicants under the proceeding sought an order for leave to proceed under the *Securities Act* (Ontario), certifying the proceeding as a class proceeding and appointing them as representative plaintiffs. The applicants sought, among other relief, a declaration that the Company made misrepresentations contrary to the *Securities Act* (Ontario) during a period extending from November 9, 2021 to September 6, 2022, as well as unspecified damages. In May 2024, the Company announced that the matter was settled within insurance limits, that none of the defendants admitted any liability, wrongdoing, or fault as part of the settlement and that it did not result in any direct financial impact to the Company.

During fiscal 2024, 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**

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.

## **MATERIAL CONTRACTS**

On December 2, 2024, AirBoss announced that it had entered into new senior secured credit facilities consisting of aggregate financing of up to US\$180 million, which replaced its then-current senior secured revolving credit facilities. The new credit facilities consist of a revolving asset-based credit facility and a non-revolving term loan facility. The commitments under the revolving asset-based credit facility are up to US\$125 million and the term facility is for US\$55 million. The maturity date under both facilities is November 29, 2027.

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, 2024 was 27,130,556.

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, 2024.

### **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 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:

<b>Fiscal Period</b>	<b>Dividend per Common Share</b>
2022	C\$0.40
2023	C\$0.37
2024	C\$0.175

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, 2024 are set forth in the following table:

<b>Date</b>	<b>Open</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	4.99	5.52	4.13	4.31	728,200
February	4.38	5.50	4.28	5.16	564,980
March	5.25	6.27	5.00	5.95	647,440
April	5.88	6.06	5.15	5.87	533,480
May	5.84	6.21	5.45	5.70	450,370
June	5.72	6.31	5.66	5.76	378,420
July	5.67	5.69	4.65	4.80	364,070
August	4.66	4.99	4.00	4.51	375,030
September	4.69	5.60	4.24	5.23	436,090
October	5.07	5.19	4.18	4.18	223,380
November	4.26	4.41	3.80	3.85	391,290
December	3.85	4.29	3.65	3.81	677,430

## 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 director and executive officer of the Company during the past five years and, with respect to each director, the date of his or her election as director.

### Directors

Name and Residence	Position(s) with the Company	Principal Occupation	Period of Service as a Director of the Company <sup>(1)</sup>
P. Grenville Schoch Ontario, Canada	Chairman, Co-CEO & Director	Chairman and Co-CEO of the Company	October 13, 1989 to Present
Robert L. McLeish <sup>(2)(3)(4)</sup> Ontario, Canada	Director	Corporate Director and Chairman of Dundee Corporation until June 17, 2019 (TSX-listed investment holding company)	February 1, 1999 to Present
Alan J. Watson <sup>(2)(3)(4)</sup> New South Wales, Australia	Director	Corporate Director and Chairman of Pinnacle Investment Management Group Limited (a publicly-traded Australian investment management company).	September 10, 2007 to Present
Anita Antenucci DC, United States	Director	Founder and Managing Partner of 3Wire Partners, an organization which works with business owners and investors in the aerospace, defense, government, and related industries	August 13, 2019 to Present
David Camilleri <sup>(2)</sup> Ontario, Canada	Director	Corporate Director. Previously President Noranco, Vice President Canada/Mexico Aerostructures at Precision Castparts Corp. (“PCC”)	December 9, 2019 to Present
Stephen Ryan <sup>(3)</sup> DC, United States	Lead Director	Corporate Director, Previously lead of Government Strategies at DC Office of McDermott Will & Emery LLP.	November 12, 2020 to Present
Jo-Anne O’Connor <sup>(2)</sup> Ontario, Canada	Director	Corporate Director, President and Chief Executive Officer of Strategem Capital (a publicly-traded Canadian investment company)	September 13, 2024 to Present

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. Camilleri 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.

## Executive Officers

<b>Name and Residence</b>	<b>Position(s) with the Company</b>
Gren Schoch Ontario, Canada	Chairman and Co-CEO
Chris Bitsakakis Ontario, Canada	President and Co-CEO
Frank Ientile Ontario, Canada	Chief Financial Officer and Treasurer
Chris Figel Ontario, Canada	Executive Vice President, General Counsel and Secretary
Ed Kiell, Michigan, USA	Vice-President, Corporate Supply Chain
Scott Lieberman, Michigan, USA	President, AirBoss Rubber Solutions
John Johns Maryland, USA	President, AirBoss Defense Group
Chris Laycoe Michigan, USA	Sr. Vice President and General Manager, AirBoss Engineered Products

To the knowledge of the Company, as at March 10, 2025, all directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 5,495,730 Common Shares representing approximately 20% of the Common Shares outstanding (based on 27,130,556 Common Shares outstanding as at March 10, 2025).

### **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 four members: David Camilleri (Chair), Robert L. McLeish, Alan Watson and Jo-Anne O’Connor. 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. David Camilleri has more than 25 years of experience in the anti-vibration, automotive and aerospace/defense industries, most recently as the of President of Noranco and Vice President Canada/Mexico Aerostructures at Precision Castparts Corp. (“PCC”). Mr. Camilleri joined the AirBoss Board of Directors in 2019. Currently, Mr. Camilleri is Chairman of the Board to Valence Surface Technologies and serves on the board of directors of Advanced Integration Technology.

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. Mr. McLeish was also Chairman of Dundee Corporation, a TSX-listed investment holding company, and a member of its audit committee.

Mr. Alan Watson is currently the Chairman of Pinnacle Investment Management Group and has spent over 30 years in the investment banking business, during which he was the Managing Director of several U.S. and U.K. based investment banks. Mr. Watson joined the AirBoss Board of Directors in 2007. Throughout his career, Mr. Watson has worked in the U.K., Australia, Canada, China and Japan, and is currently based in Sydney, Australia.

Ms. Jo-Anne O’Connor is currently the President and Chief Executive Officer of Strategem Capital, a publicly listed company with an objective for continued growth through investments in resource exploration and development, mining, energy production and agricultural protein products. She has over 35 years of experience in financial capital markets and corporate sectors, having started her career at one of Canada’s largest banks. During her time there, Ms. O’Connor traded large-cap energy, natural resources and mining stocks for the bank’s portfolio.

### Audit related fees

KPMG LLP were engaged in 2024 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:

Description	2024	2023
Audit fees	764,666	597,611
Audit-related fees	Nil	Nil
Tax fees	Nil	Nil
All other fees	163,710	Nil
<b>Total</b>	<b>928,376</b>	597,611

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, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.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 meeting of shareholders to be held on May 8, 2025. Additional financial information is provided in the Company's comparative financial statements and MD&A for the financial year ended December 31, 2024. 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.