

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

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of AirBoss of America Corp. ("AirBoss" or the "Company") has been prepared as of November 6, 2024 and should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and Notes for the three- and nine-month periods ended September 30, 2024 and the MD&A and Audited Consolidated Financial Statements and Notes for the year ended December 31, 2023. The Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Audit Committee and Board of Directors have reviewed and approved the contents of this MD&A, the Financial Statements and the third quarter press release. All dollar amounts are shown in thousands of US dollars, except per share amounts, unless otherwise specified. Additional information regarding the Company, including its Annual Information Form, can be found on SEDAR+ at www.sedarplus.com and on the Company's website at www.airboss.com.

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; 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; global political uncertainty; 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 including, without limitation, the recently announced strategic transition; 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; current and future litigation; 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; 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 Interim Report 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 Interim Report and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly the forward-looking information except as required by applicable laws. Risks and uncertainties about AirBoss' business are more fully discussed under the heading "Risk Factors" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR+ at www.sedarplus.com.

OVERALL PERFORMANCE**Recent Highlights****(in US dollars, unless otherwise noted)**

- Commenced shipments in the third quarter of 2024 ("Q3 2024") under AirBoss Manufactured Products' ("AMP") defense business' recently announced contract, valued at up to \$45 million, to provide its Bandalier multipurpose energetic system to a NATO partner nation;
- AMP's defense business was awarded a contract worth up to \$84 million by the U.S. Department of Health and Human Services ("HHS") for the supply of protective isolation gowns. HHS subsequently increased the funded portion of this award from \$59M to \$69.3M; and
- Declared a quarterly dividend of C\$0.035 per common share.

Selected Financial Information

<i>In thousands of US dollars, except share data</i> (unaudited)	Three-months ended September 30		Nine-months ended September 30	
	2024	2023	2024	2023
Financial results:				
Net sales	96,204	102,195	295,061	333,329
Profit (loss)	(3,279)	(4,633)	(17,774)	(5,791)
Adjusted Profit ¹	(3,279)	(2,592)	(10,923)	(3,634)
Earnings (loss) per share (US\$)				
– Basic	(0.12)	(0.17)	(0.66)	(0.21)
– Diluted	(0.12)	(0.17)	(0.66)	(0.21)
Adjusted earnings per share ¹ (US\$)				
– Basic	(0.12)	(0.10)	(0.40)	(0.13)
– Diluted	(0.12)	(0.10)	(0.40)	(0.13)
EBITDA ¹	6,420	4,490	9,958	19,825
Adjusted EBITDA ¹	6,420	7,248	16,809	22,735
Net cash provided by (used in) operating activities	(1,071)	8,727	4,485	31,626
Free cash flow ¹	(2,897)	6,633	(3,001)	26,354
Dividends declared per share (CAD\$)	0.035	0.100	0.140	0.300
Capital additions	1,889	2,214	9,660	5,729
Financial position:	September 30, 2024		December 31, 2023	
Total assets	327,974		356,656	
Debt ²	123,061		131,092	
Net Debt ¹	97,227		88,213	
Shareholders' equity	129,022		148,857	
Outstanding shares*	27,130,556		27,130,556	
*27,130,556 at November 6, 2024				

¹ See Non-IFRS and Other Financial Measures.² Debt as at September 30, 2024 and December 31, 2023 include lease liabilities of \$12,560 and \$13,890, respectively.**NON-IFRS AND OTHER FINANCIAL MEASURES**

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Non-IFRS Financial Measures. Management believes that these measures provide useful information to investors in measuring the financial performance of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. These terms are not measures of performance under IFRS and should not be considered in isolation or as a substitute for net income under IFRS.

MD&A (cont'd)

EBITDA and Adjusted EBITDA are non-IFRS measures used to measure the Company's ability to generate cash from operations for debt service, to finance working capital and capital expenditures, potential acquisitions and to pay dividends. EBITDA is defined as earnings before income taxes, finance costs, depreciation, and amortization. Adjusted EBITDA is defined as EBITDA excluding impairment costs, acquisition costs, and non-recurring costs. A reconciliation of profit (loss) to EBITDA and Adjusted EBITDA is below.

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	2024	2023	2024	2023
EBITDA:				
Profit (loss)	(3,279)	(4,633)	(17,774)	(5,791)
Finance costs	3,767	2,637	9,619	7,979
Depreciation and amortization	5,180	5,645	15,824	16,916
Income tax expense (recovery)	752	841	2,289	721
EBITDA	6,420	4,490	9,958	19,825
Professional fees related to AEP negotiations	—	—	—	152
Write-down of inventory	—	—	6,049	—
Restructuring costs	—	2,758	802	2,758
Adjusted EBITDA	6,420	7,248	16,809	22,735

In the second quarter of 2024, the Company recorded a \$6,049 inventory provision related to its inventory of nitrile gloves and medical gowns due to significant downward shifts in pricing. Costs related to this provision are included in Cost of Sales on the Statement of Profit and Loss.

In 2023 and the second quarter of 2024, the Company completed a series of staff reductions. Costs related to this restructuring activity are included in Other expenses on the Statement of Profit and Loss.

In late 2022, the Company negotiated improved arrangements with AMP's rubber molded products business' key suppliers and customers to improve profitability. Professional fees related to these activities are included in General and administrative expenses on the Statement of Profit and Loss.

Adjusted profit is a non-IFRS measure defined as profit before impairment costs, acquisition costs and non-recurring costs. This measure and Adjusted earnings per share are used to evaluate the operating results of the Company. A reconciliation of Profit to Adjusted profit and Adjusted earnings per share is below.

<i>In thousands of US dollars</i>	Three-months ended September 30 (unaudited)		Nine-months ended September 30 (unaudited)	
	2024	2023	2024	2023
Adjusted profit:				
Profit (loss)	(3,279)	(4,633)	(17,774)	(5,791)
Professional fees related to AEP negotiations (after tax)	—	—	—	116
Write-down of inventory (after tax)	—	—	6,049	—
Restructuring costs (after tax)	—	2,041	802	2,041
Adjusted profit	(3,279)	(2,592)	(10,923)	(3,634)
Basic weighted average number of shares outstanding	27,131	27,131	27,131	27,118
Diluted weighted average number of shares outstanding	27,131	27,131	27,131	27,118
Adjusted earnings per share (in US dollars):				
Basic	(0.12)	(0.10)	(0.40)	(0.13)
Diluted	(0.12)	(0.10)	(0.40)	(0.13)

MD&A (cont'd)

Net Debt measures the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. A reconciliation of loans and borrowings to Net Debt is below.

In thousands of US dollars	September 30, 2024	December 31, 2023
	(unaudited)	
Net debt:		
Loans and borrowings - current	2,570	2,437
Loans and borrowings - non-current	120,491	128,655
Leases included in loans and borrowings	(12,560)	(13,890)
Cash and cash equivalents	(13,274)	(28,989)
Net debt	97,227	88,213

The Company has a Net Debt to TTM Adjusted EBITDA ratio of 4.67x as of September 30, 2024 (December 31, 2023: 3.30x).

Free cash flow is a non-IFRS measure used to evaluate cash flow after investing in the maintenance or expansion of the Company's business. It is defined as cash provided by operating activities, less cash expenditures on long-term assets. A reconciliation of cash from operating activities to free cash flow is below.

In thousands of US dollars	Three-months ended September 30		Nine-months ended September 30	
	(unaudited)		(unaudited)	
	2024	2023	2024	2023
Free cash flow:				
Net cash provided by (used in) operating activities	(1,071)	8,727	4,485	31,626
Acquisition of property, plant and equipment	(1,565)	(1,452)	(6,825)	(4,054)
Acquisition of intangible assets	(266)	(651)	(675)	(1,227)
Proceeds from disposition	5	9	14	9
Free cash flow	(2,897)	6,633	(3,001)	26,354
Basic weighted average number of shares outstanding	27,131	27,131	27,131	27,118
Diluted weighted average number of shares outstanding	27,131	27,287	27,131	27,528
Free cash flow per share (in US dollars):				
Basic	(0.11)	0.24	(0.11)	0.97
Diluted	(0.11)	0.24	(0.11)	0.96

OVERVIEW

AirBoss continued to focus on operational execution and managing working capital in each of its segments during Q3 2024, despite ongoing economic headwinds that impacted each segment. The Company also continued its risk mitigation plans in response to these economic challenges, managing costs while focusing on continuous improvements to help offset some of the pronounced softness experienced in both AirBoss Rubber Solutions ("ARS") and in the rubber molded products business within AMP. Management expects volume recovery to commence in early 2025, subject to ongoing challenges related to inflationary pressure and the global geopolitical climate, as well as successful conversion of key opportunities.

Although ARS had a strong quarter in terms of margin expansion, relative to the third quarter of 2023 ("Q3 2023"), the segment experienced additional softness compared to the second quarter of 2024 ("Q2 2024") primarily driven by volume reductions across most sectors and saw reduced volumes compared to Q3 2023. Despite strong performance during the earlier part of 2024, there was pronounced softness carried over from Q2 2024 as sales were impacted by customers focused on reducing inventory levels. The segment remains committed to executing on its strategy to deliver strong results with specialized products, expanded production of a broader array of compounds (white and colour), and enhanced flexibility in attracting and fulfilling new business through identified synergies and margin expansion. As a segment, ARS continued to invest in research and development to support enhanced collaboration with customers.

AMP experienced continued softness in Q3 2024 in the rubber molded products business with some progress generated in the defense business. The rubber molded products operations were impacted by continued volume softness related to the original equipment manufacturers (OEMs) shuttering production to rebalance vehicle inventory levels which has been ongoing throughout 2024. The business continued its focus on managing costs and a commitment to drive efficiencies and best-in-class automation, as well as diversification of its product lines into adjacent sectors. The defense business experienced some positive traction during Q3 2024 which is expected to continue into next year, supported by the commencement of deliveries on some previously announced contracts and additional overhead reductions carried out earlier this year to help mitigate volume softness. Management also continued its focus on operational improvements during the quarter and continued to work with its

MD&A (cont'd)

key customers with a goal of leveraging opportunities aligned with its growth initiatives.

The Company's long-term priorities consist of the following:

1. Growing the core Rubber Solutions segment by emphasizing rubber compounding as the core driver for sustainable growth and productivity, focusing on innovation in custom rubber compounding while aiming to expand market share through organic and inorganic means, while striving to achieve enhanced diversification by a broadening of product breadth through technological advancements and investments in specialty compound niches;
2. Manufactured Products' growth strategy will be focused on diversifying and expanding its range of rubber molded products while simultaneously narrowing the range of defense products through a renewed focus on core competencies; and
3. Executing the strategic review of all product lines currently manufactured and sold by the Company in its Manufactured Products segment while targeting additional acquisition opportunities with a focus on adding new compounds and products, technical capabilities, and geographic reach into selected North American and international markets.

AirBoss continues to focus on these long-term priorities while investing in core areas of the business to expand a solid foundation that will support long-term growth.

RESULTS OF OPERATIONS - For the three- and nine-month period ended September 30, 2024 compared to 2023

NET SALES

Consolidated net sales for Q3 2024 decreased by 5.9% to \$96,204 compared with Q3 2023, and for 2024 year-to-date decreased by 11.5% to \$295,061 compared with 2023 year-to-date. The decreases were primarily due to lower volumes at ARS and lower sales at AMP's rubber molded products business partially offset by higher sales in the defense products business.

Three-months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Manufactured Products	Inter-segment net sales	Total
Net Sales	2024	54,532	45,507	(3,835)	96,204
	2023	58,458	48,248	(4,511)	102,195
Increase (decrease) \$		(3,926)	(2,741)	676	(5,991)
Increase (decrease) %		(6.7)	(5.7)	(15.0)	(5.9)

Nine-months ended September 30 <i>In thousands of US dollars</i>		Rubber Solutions	Manufactured Products	Inter-segment net sales	Total
Net Sales	2024	179,002	128,528	(12,469)	295,061
	2023	193,931	158,261	(18,863)	333,329
Increase (decrease) \$		(14,929)	(29,733)	6,394	(38,268)
Increase (decrease) %		(7.7)	(18.8)	(33.9)	(11.5)

Rubber Solutions

Net sales in the Rubber Solutions segment for Q3 2024 decreased by 6.7% to \$54,532, from \$58,458 in Q3 2023. Volume decreased by 17.5% with decreases in most sectors. Tolling volume was down 74.3% while non-tolling volume was down 8.2%. In tolling applications, the Company only realizes net sales on the provision of compounding services for customer-supplied material, versus non-tolling where AirBoss also supplies the raw material inputs that are reflected in net sales.

Net sales in the Rubber Solutions segment for 2024 year-to-date decreased by 7.7% to \$179,002, from \$193,931 for 2023 year-to-date. Volume was down 11.5% with decreases across the majority of sectors and continued signs of softness with many customers' operations. Year-to-date tolling volume was down 65.0% while non-tolling was down 6.1%.

Manufactured Products

Net sales in the Manufactured Products segment for Q3 2024 decreased by 5.7% to \$45,507, from \$48,248 in Q3 2023. The decrease was mainly in the rubber molded products business offset by improved sales in the defense products business. Specifically, the rubber molded products business had lower volumes in SUV and light truck platforms driven by economic headwinds and increased vehicle inventories which impacted production schedules across certain OEMs and Tier 1 suppliers in the quarter.

Net sales in the Manufactured Products segment for 2024 year-to-date decreased by 18.8% to \$128,528, from \$158,261 for 2023 year-to-date. The decrease was due to softness in the defense product lines and weaker volumes in the rubber molded products business specifically in the SUV, and light truck platforms compared to the same period in the prior year.

MD&A (cont'd)

GROSS PROFIT

Consolidated gross profit for Q3 2024 increased by \$2,298 to \$16,063, compared with Q3 2023, driven by improved volume and mix at AMP, specifically in the defense business, partially offset by additional softness experienced at the rubber molded products operations along with softness across the ARS customer sectors. Gross profit as a percentage of net sales increased to 16.7% in Q3 2024 compared with 13.5% for Q3 2023, primarily due to improvements at AMP's defense products business and product mix at ARS, partially offset by softer margin percent at AMP's rubber molded products operations.

Consolidated gross profit for 2024 year-to-date decreased by \$14,589 to \$38,699 compared with 2023 year-to-date, driven primarily by volume reductions at AMP and ARS along with a \$6,049 inventory write-down from gowns and gloves, partially offset by margin expansion at ARS. Gross profit as a percentage of net sales decreased to 13.1% for 2024 year-to-date compared with 16.0% for 2023 year-to-date. This decrease was primarily driven by a \$6,049 inventory write-down related to its inventory of nitrile gloves and medical gowns in Q2 2024, in addition to a sales decline at AMP's defense and rubber molded products operations driven by volume partially offset by operational improvements and margin expansion at ARS.

Three-months ended September 30		Rubber Solutions	Manufactured Products	Total
<i>In thousands of US dollars</i>				
Gross Profit	2024	8,260	7,803	16,063
	2023	8,205	5,560	13,765
Increase (decrease) \$		55	2,243	2,298
% of net sales	2024	15.1	17.1	16.7
	2023	14.0	11.5	13.5

Nine-months ended September 30		Rubber Solutions	Manufactured Products	Total
<i>In thousands of US dollars</i>				
Gross Profit	2024	29,562	9,137	38,699
	2023	27,102	26,186	53,288
Increase (decrease) \$		2,460	(17,049)	(14,589)
% of net sales	2024	16.5	7.1	13.1
	2023	14.0	16.5	16.0

Rubber Solutions

Gross profit at Rubber Solutions for Q3 2024 was consistent with Q3 2023. Gross margin percentage increased to 15.1% of net sales from 14.0% of net sales in Q3 2023. The increase was due to mix and cost management, while gross profit was in line with the same period in the prior year on much lower volume primarily the result of margin expansion strategies, and product mix in addition to managing controllable overhead costs and continuous improvement initiatives.

Gross profit at Rubber Solutions for 2024 year-to-date increased by 9.1% to \$29,562 (16.5% of net sales), from \$27,102 (14.0% of net sales) for 2023 year-to-date, primarily as a result of product mix improvements as the Company pivots away from tolling and focuses on more specialty compounds while managing controllable overhead costs.

Manufactured Products

Gross profit at the Manufactured Products segment for Q3 2024 increased to \$7,803 from \$5,560 in Q3 2023. This was primarily the result of improvements in the defense products business, operational cost improvements and reduced overhead costs, partially offset by unfavorable volume and product mix in the rubber molded products operations.

Gross profit at the Manufactured Products segment for 2024 year-to-date decreased to \$9,137 from \$26,186 for 2023 year-to-date. This decrease was primarily a result of unfavorable volume and product mix in the defense product lines in addition to the \$6,049 inventory write-down related to its inventory of nitrile gloves and medical gowns in Q2 2024. In addition, there was pronounced softness in the rubber molded products operations as the OEMs continue to manage automobile inventory levels resulting in lower vehicle production, partially offset by a continued focus on controllable operational cost containment and overhead cost reductions.

MD&A (cont'd)

OPERATING EXPENSES

Consolidated operating expenses for Q3 2024 were consistent with the prior year, with a foreign exchange loss, and higher administration and R&D costs offset by a restructuring charge recorded in the comparative period.

Consolidated operating expenses for 2024 year-to-date decreased by \$5,814 due to lower costs at Manufactured Products related to the cost-cutting measures implemented last year and lower legal and administrative expenses, and a larger restructuring cost recorded in the comparative period.

Three-months ended September 30		Rubber Solutions	Manufactured Products	Unallocated Corporate Costs	Total
<i>In thousands of US dollars</i>					
Operating Expenses	2024	4,305	7,589	2,929	14,823
	2023	4,320	6,620	3,980	14,920
Increase (decrease) \$		(15)	969	(1,051)	(97)
% of net sales	2024	7.9	16.7	N/A	15.4
	2023	7.4	13.7	N/A	14.6

Nine-months ended September 30		Rubber Solutions	Manufactured Products	Unallocated Corporate Costs	Total
<i>In thousands of US dollars</i>					
Operating Expenses	2024	12,337	22,851	9,377	44,565
	2023	13,958	25,814	10,607	50,379
Increase (decrease) \$		(1,621)	(2,963)	(1,230)	(5,814)
% of net sales	2024	6.9	17.8	N/A	15.1
	2023	7.2	16.3	N/A	15.1

Rubber Solutions

Rubber Solutions' operating expenses for Q3 2024 were consistent with the comparative period, with lower administrative costs offset by a foreign exchange loss compared to a gain in the comparative period.

Rubber Solutions' operating expenses for 2024 year-to-date decreased by \$1,621 to \$12,337. The decreases were primarily due to cost management and a foreign exchange gain compared to a loss in the comparative period.

Manufactured Products

Manufactured Products' operating expenses for Q3 2024 increased by \$969 to \$7,589 due to higher administrative costs and a smaller foreign exchange gain.

Manufactured Products' operating expenses for 2024 year-to-date decreased by \$2,963 to \$22,851. The decrease was due to cost-cutting measures implemented last year and lower amortization of intangible assets.

Unallocated Corporate Costs

Unallocated corporate costs for Q3 2024 decreased by \$1,051 to \$2,929 due to a restructuring cost recorded in the comparative period, partially offset by higher administrative costs.

Unallocated corporate costs for 2024 year-to-date decreased by \$1,230 to \$9,377 due to a restructuring cost recorded in the comparative period, partially offset by a foreign exchange loss compared to a gain in the comparative period.

FINANCE COSTS

Finance costs for the three- and nine-month periods ended September 30, 2024 were \$3,767 (2023: \$2,637) and \$9,619 (2023: \$7,979). The increases were primarily due to increased borrowings and higher interest rates under the Company's credit facility, and losses (compared to gains in the comparative periods) related to the change in fair value of the Company's interest rate swaps.

INCOME TAX EXPENSE

The Company recorded an income tax expense of \$752 in Q3 2024 (Q3 2023: expense of \$841) for an effective income tax rate of (29.8)% ((22.2)% in Q3 2023). The Company recorded a 2024 year-to-date income tax expense of \$2,289 (2023: expense of \$721) for an effective income tax rate of (14.8)% (2023: (14.2)%). The effective tax rates were lower than the comparable periods due to not recognizing all its future tax assets in certain jurisdictions.

PROFIT AND EARNINGS PER SHARE

The quarter's loss totaled \$3,279 for Q3 2024, compared with a loss of \$4,633 for Q3 2023. Basic and fully diluted earnings (loss) per share in Q3 2024 were \$(0.12) compared with \$(0.17) for Q3 2023. The year-to-date loss totaled \$17,774 for 2024, compared with a loss of \$5,791 for 2023. Basic and fully diluted earnings (loss) per share for 2024 year-to-date was \$(0.66) compared with \$(0.21) for 2023 year-to-date. The increase in year-to-date loss is primarily attributable to lower sales and gross margins at AMP, along with a \$6,049 inventory write-down.

QUARTERLY INFORMATION

Quarter Ended	Net Sales	Profit	Earnings per share	
			Basic	Diluted
<i>In thousands of US dollars</i>				
2024				
September 30, 2024	96,204	(3,279)	(0.12)	(0.12)
June 30, 2024	95,367	(9,568)	(0.35)	(0.35)
March 31, 2024	103,490	(4,927)	(0.18)	(0.18)
2023				
December 31, 2023	92,696	(35,958)	(1.33)	(1.33)
September 30, 2023	102,195	(4,633)	(0.17)	(0.17)
June 30, 2023	114,058	(2,613)	(0.10)	(0.10)
March 31, 2023	117,076	1,455	0.05	0.05
2022				
December 31, 2022	117,453	11,997	0.44	0.43

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company expects to fund its remaining 2024 operating cash requirements, including required working capital investments, capital expenditures and scheduled debt repayments from cash on hand, cash flow from operations and its committed borrowing facilities. The Company's operating revolving loan facility currently provides financing up to \$150,000. \$112,365 was drawn against this facility as at September 30, 2024.

During 2024, cash of \$4,485 was provided by operating activities, (2023: \$31,626 provided), \$7,486 was used by investing activities (2023: \$5,272), and \$12,781 was used by financing activities (2023: \$25,538 used). Cash and cash equivalents decreased by \$15,715 from \$28,989 to \$13,274, adjusted for the effect of exchange rate fluctuations on cash held.

Operating activities

Cash provided by operating activities decreased by \$27,141 compared with 2023. The decrease was primarily due to lower profit of \$11,983, and \$24,744 more cash used for working capital needs, partially offset by a cash inflow from tax refunds.

Cash used for working capital for 2024 changed to \$6,727 (2023: provided \$18,017) as a result of the following factors:

- Cash used for accounts receivable was \$1,888, primarily related to higher sales at the Manufactured Products segment defense products compared to the last quarter of 2023 partially offset by lower sales at the Rubber Solutions segment.
- Cash used for inventory was \$3,012, primarily at the Rubber Solutions segment related to replacing tolling business with non-tolling business and excess stock due to the decline in volumes.
- Cash used for prepaid expenses was \$1,279 primarily due to payment of annual insurance premiums.
- Cash provided by accounts payable was \$246 primarily due to lower volumes, offset by inventory build up to support Bandalier contract deliveries.
- Cash used for provisions was \$794 related to the payout of preferred share units, restructuring costs accrued in 2023, and an earn-out payment.

Investing activities

Property, Plant and Equipment

During 2024 year-to-date, the Company invested \$6,825 in capital equipment as follows:

- Rubber Solutions invested \$3,216. \$660 in growth initiatives, \$296 was invested in cost savings initiatives, and the balance to sustain existing property, plant and equipment; and
- Manufactured Products segment invested \$3,609. \$348 was invested in growth initiatives and the balance to sustain existing property, plant and equipment.

Intangible Assets

During 2024 year-to-date, the Company invested \$675 in intangible assets for financial reporting and productivity software.

Financing activities

The Company has a revolving credit facility providing up to \$150,000. The facility bears interest at Secured Overnight Financing Rate (SOFR) plus applicable margins from 145 to 450 basis points, depending on covenants, and matures on September 23, 2026.

In September 2024, the Company's lenders agreed to amend the credit facility's covenant related to minimum Adjusted EBITDA.

MD&A (cont'd)

In March 2024, the Company's lenders agreed to amend the credit facility to: reduce the credit facility from \$250,000 to \$150,000 in 2024 and 2025, and \$175,000 thereafter; remove the \$75,000 accordion; limit the quarterly dividend to \$1,000 until the end of 2025; limit capital expenditures to \$10,000 in 2024, \$20,000 in 2025, and \$30,000 thereafter; replace the leverage and interest coverage ratios with minimum Adjusted EBITDA and liquidity requirements until the end of 2024, exclude certain charges from the calculation of Adjusted EBITDA; and add pricing tiers for calculating interest.

The revolving credit facility requires the Company to meet minimum earnings and liquidity metrics. Meeting these requirements is dependent upon achieving revenue forecasts, reducing costs and improvements to working capital. In the event of non-compliance, the lenders have a right to demand repayment of the amounts outstanding or pursue other remedies if the Company cannot reach an agreement to amend or waive the covenants. As in the past, the Company monitors its compliance with the covenants and will seek waivers and amendments, subject to lender approval as may become necessary from time to time.

During 2024 year-to-date, the Company repaid \$7,050 under the revolving credit facility (2023: repaid \$17,300) and paid \$1,898 (2023: \$1,863) of principal payments for its lease obligations.

The Company paid dividends of \$3,487 during the 2024 year-to-date (2023: \$6,084).

Government assistance

Scientific research and investment tax credits of \$68 (2023: \$224) were recognized in the quarter and research and development costs were reduced accordingly; year-to-date: \$361 (2023: \$697).

Dividends

A quarterly dividend of CAD \$0.035 per share was declared on August 13, 2024 and paid on October 15, 2024. Total annual dividends declared during 2023 were CAD \$0.37 per common share. On November 6, 2024, the Company declared a quarterly dividend of C\$0.035 per common share, payable on January 15, 2025 to shareholders of record as at December 31, 2024.

TRANSACTIONS WITH RELATED PARTIES

During the quarter, the Company paid \$42 (2023: \$36) to companies controlled by the Chairman of the Company for use of office facilities; year-to-date: \$127 (2023: \$117).

In July 2023, the Company agreed to forgive CAD \$591 of loans due from the President & Co-Chief Executive Officer by 12.5% annually. The loans bear interest at 2% and 51,178 shares of the Company having a fair value of \$198 were pledged as collateral on these loans. At September 30, 2024, CAD \$447 remains outstanding under the loans (December 31, 2023, CAD \$517).

At September 30, 2024, loans to current and former officers totaling \$332, including accrued interest, are included in Other Assets on the consolidated statement of financial position (\$395 at December 31, 2023). All loans are due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities, termination of employment, and maturity. All share purchase loans are full recourse and interest is due and payable semi-annually. During the quarter, interest revenue of nil (2023: \$4) was received; year-to-date: \$4 (2023: \$22).

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in Note 3 to the annual consolidated financial statements for the year ended December 31, 2023, have been applied consistently to all periods presented in the interim condensed consolidated financial statements for the period ended September 30, 2024.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

FINANCIAL INSTRUMENTS

Foreign exchange hedge

At September 30, 2024, the Company had contracts to sell \$13,570 from October 2024 to March 2025 for Canadian dollars ("CAD") \$18,500. The fair values of these contracts, representing an unrealized gain of \$135, are included in trade and other receivables, including derivatives on the interim condensed consolidated statement of financial position. During the quarter, the unrealized changes in fair value, representing a gain of \$302 (2023: loss \$200), are recorded on the interim condensed consolidated statement of profit and comprehensive income as other income (expense); year-to-date: gain of \$79 (2023: \$43).

At December 31, 2023, the Company had contracts to sell \$14,438 from January 2024 to November 2024 for CAD \$19,803. The fair values of those contracts, representing an unrealized gain of \$497, are included in trade and other receivables, including derivatives on the interim condensed consolidated statement of financial position.

Interest rate swap

The Company has interest rate swap agreements for a combined notional amount of \$45,000, maturing in February and May 2025. Swap interest is calculated and settled on a monthly basis based on the difference between the floating rate of USD SOFR and a weighted average fixed rate of 4.101%.

MD&A (cont'd)

During the quarter, interest recovery from the swap agreements was \$140 (2023: \$127); year-to-date: \$426 (2023: \$240).

At September 30, 2024, the fair value of the swap agreements, representing a gain of \$71 (\$252 as at December 31, 2023), is included in loans and borrowings on the interim condensed consolidated statement of financial position. During the quarter, the change in the fair value, representing a loss of \$274 (2023: gain of \$438) is recorded on the interim condensed consolidated statement of profit and comprehensive income as finance costs; year-to-date: loss of \$181 (2023: gain of \$638). The Company entered into interest rate swap agreements in order to fix the interest rate on a portion of its borrowings and does not hold them for trading or speculative purposes.

Share price hedge

In November 2022 and February 2023, the Company entered hedging arrangements to reduce its exposure from the change in share price on its share-based compensation costs. At September 30, 2024, the fair value of these agreements, representing a loss of \$340 (loss of \$403 as at December 31, 2023) is included in trade and other payables, including derivatives on the interim condensed consolidated statement of financial position. The change in fair value, representing an unrealized loss of \$82 (2023: loss of \$447) is recorded on the interim condensed consolidated statement of profit and comprehensive income as other expenses; year-to-date: gain of \$57 (2023: loss of \$698). During the quarter, the realized loss from the swap agreements was \$13 (2023: gain of \$3); year-to-date: loss of \$46 (2023: gain of \$168).

Insurance policy

In September 2024, the Company took out a life insurance policy requiring an initial premium of \$103. The net fair values of the financial instruments (nil at September 30, 2024) are included in Other Assets on the interim condensed consolidated statement of financial position. Changes in fair value are recorded in Other Income on the consolidated statement of profit and loss. During the quarter, the change in fair value was nil; year-to-date: nil.

November 6, 2024