AIRBOSS OF AMERICA CORP.

2004 Third Quarter Interim Report

	Nine months ended Sept. 30		Three months ended Sept. 30	
(thousands, except per share amounts)	**2004**	2003	**2004**	2003
Net sales from continuing operations	**$ 145,723**	$ 130,714	**$ 50,841**	$ 39,471
Earnings before interest, taxes & amortization (EBITDA)(Note 1)	**10,274**	8,209	**3,423**	2,041
Interest	**2,034**	2,146	**640**	740
Net income from continuing operations	**3,631**	2,399	**1,415**	233
Net (loss) from discontinued operations	**(1,140)**	(986)	**(488)**	(100)
Net income	**2,491**	1,413	**927**	133
Net income per share from continuing operations				
- Basic	**$ 0.16**	$ 0.11	**$ 0.06**	$ 0.01
- Diluted	**0.16**	0.10	**0.06**	0.01
Net income per share				
- Basic	**$ 0.11**	$ 0.06	**$ 0.04**	$ 0.01
- Diluted	**0.11**	0.06	**0.04**	0.01
Cash flow before changes in non-cash working capital from continuing operations	**$ 8,822**	$ 6,104	**$ 2,435**	$ 798
Common shares outstanding (million):				
- Basic	**22.5**	22.5	**22.5**	22.5
- Diluted	**23.0**	23.1	**23.0**	23.1

Note 1 – The Company discloses EBITDA, based on the Company's continuing and discontinued operations, a financial measurement used by interested parties. EBITDA does not have a standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other issuers. EBITDA is not a measure of performance under GAAP and should not be considered in isolation or as a substitute for net income under GAAP.

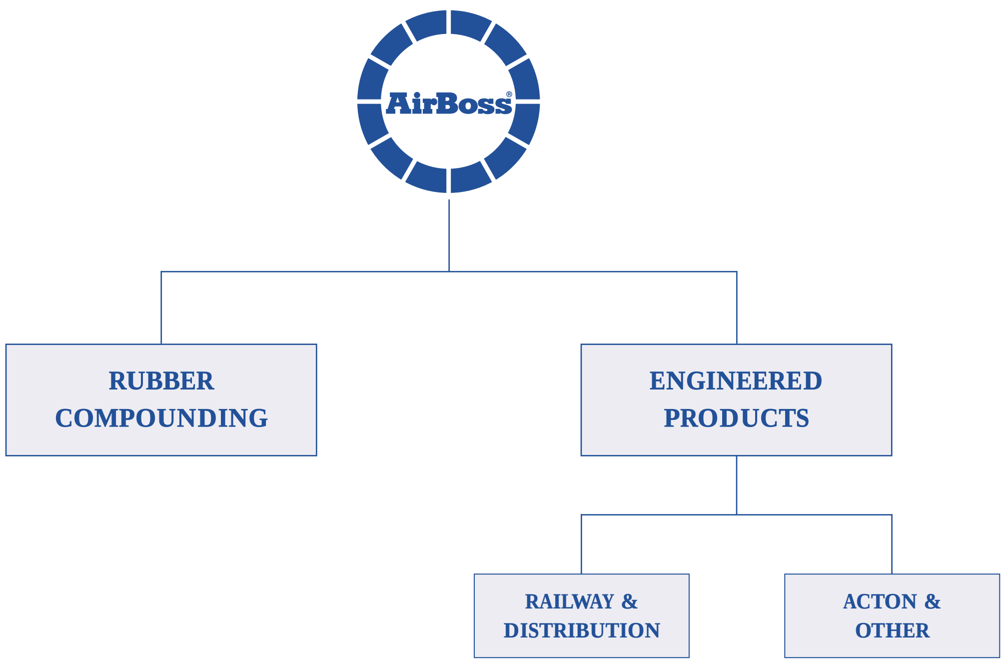
	Nine months ended Sept. 30		Three months ended Sept. 30	
(thousands)	**2004**	2003	**2004**	2003
Income before income taxes	**$ 3,633**	$ 2,185	**$ 1,407**	$ 253
Interest	**2,034**	2,146	**640**	740
Amortization and loss on disposal of capital assets	**4,607**	3,878	**1,376**	1,048
EBITDA	**$ 10,274**	$ 8,209	**$ 3,423**	$ 2,041

AirBoss of America Corp.

AirBoss of America Corp. develops, manufactures and sells high quality, proprietary rubber-based products offering enhanced performance and productivity. The Company is focused on the manufacturing of quality rubber compounds as well as specialty rubber and plastic moulded products.

AirBoss is one of North America's largest custom rubber mixers with a capacity to supply over 200 million pounds of rubber annually to a diverse group of rubber products manufacturers.

AirBoss engineers and moulds rubber and plastic products for the transportation, military and industrial markets as well as for its own proprietary designs of military protective wear, commercial footwear and tires.



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Letter to Shareholders

Sales for the nine-month period and three-month period ended September 30, 2004 increased by 11% and 29% respectively compared to a year earlier. Net income from continuing operations for the nine months increased by 51%.

These increases resulted from higher sales volumes of rubber compounds, increased profitability in military protective products and the elimination of commercial footwear from ongoing operations.

AIRBOSS RUBBER COMPOUNDING

Sales of rubber compound increased in dollar terms by 36% in 2004 over the same nine-month period in 2003. Strong demand in the industrial and utility sectors of the market has been the greatest factor in this growth. Our facilities have been operating at near capacity on a frequent basis over the last few months and this is expected to continue at least until mid-December. The Company is pursuing strategies to maximize capacity in the near term and evaluating long-term growth opportunities.

Margins improved during the three-month period but this was primarily due to the increased absorption of fixed costs. Material cost as a percentage of sales continued to rise as both synthetic rubber and carbon black increased in price. These rapid cost increases are a continuing challenge for the industry but are typically being passed along at a much more rapid rate than in the prior year. At the same time, certain commodities, such as synthetic polymers, are in short supply with producers allocating material.

AIRBOSS ENGINEERED PRODUCTS

The demand for AirBoss-Defense CBRN (Chemical, Biological, Radiological and Nuclear) protective wear remains high world-wide. Our order and contract backlog extends well into 2005 for key products such as our gloves and overshoes. Production efficiencies in injection moulding have positively impacted profitability for this product group. New compounds with enhanced functionality will be introduced in the near future and should ensure that our products remain the market leaders in this segment.

Calendered, extruded and moulded industrial product markets remained stable despite the challenge from increasing rubber commodity prices.

The commercial footwear operations will be wound up early in the new year. Termination and retraining costs for footwear personnel and the final determination of footwear inventory write-downs should be completed by the end of the year.

AIRBOSS RAILWAY PRODUCTS

Sales and margins for this group continue to be adversely affected by the change in exchange rates and increases in steel prices. The Company does not hedge the net asset position of this division due to the fact that its sales are entirely within the United States.

The Company is still awaiting the ruling from the U.S. Court of Appeal concerning the patent lawsuit. If successful this ruling would remove an existing injunction preventing the Company from selling certain track fastening products.

OUTLOOK

The fourth quarter of 2004 is expected to continue many of the trends experienced in the last two quarters with continued high demand for the Company's key products, ongoing pressure from raising commodity prices and significant profit improvements from continuing operations compared to 2003. The month of December is, however, traditionally impacted by lower demand in the last two weeks of the year.

The evaluation of expansion opportunities continues along with the rationalization of non-performing segments. We are enthusiastic about the opportunities to continue the growth experienced in 2004 year to date.

P.G. Schoch
Chairman

Robert L. Hagerman
President and Chief Executive Officer

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

The interim consolidated financial statements of AirBoss of America Corp. for the third quarter ended September 30, 2004 have not been audited or reviewed on behalf of the shareholders by the Company's independent external auditors.

SELECTED FINANCIAL INFORMATION

	Nine Months Ended Sept. 30		Three Months Ended Sept. 30	
(thousands except shares and per share amounts)	**2004**	2003	**2004**	2003
Net sales – continuing operations	**$ 145,723**	$ 130,714	**$ 50,841**	$ 39,471
Net income – continuing operations	**3,631**	2,399	**1,415**	233
Net income	**2,491**	1,413	**927**	133
Net income per share – continuing operations - Basic	**$ 0.16**	$ 0.11	**$ 0.06**	$ 0.01
- Diluted	**0.16**	0.10	**0.06**	0.01
Net income per share - Basic	**$ 0.11**	$ 0.06	**$ 0.04**	$ 0.01
- Diluted	**0.11**	0.06	**0.04**	0.01
Cash flow before changes in non-cash working capital – continuing operations	**$ 8,822**	$ 6,104	**$ 2,435**	$ 798
Cash dividends declared	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00

As at September 30	**2004**	2003
Total assets	**$ 122,449**	$ 129,204
Demand loan	**13,777**	16,298
Current portion of term loan and other debt	**22,346**	4,181
Long-term financial liabilities	**$ –**	$ 21,250

QUARTERLY INFORMATION

(thousands except share and per share amounts)

	Net Sales Continuing Operations	**Net Income** Continuing Operations	**Net Income (Loss)**	Net Income (Loss) Per Share Continuing Operations		Net Income (Loss) Per Share	
Quarter Ended				**Basic**	**Diluted**	**Basic**	**Diluted**
September 30, 2004	$ 50,841	$ 1,415	$ 927	$ 0.06	$ 0.06	$ 0.04	$ 0.04
June 30, 2004	50,196	1,372	973	0.06	0.06	0.04	0.04
March 31, 2004	44,686	843	591	0.04	0.04	0.03	0.03
December 31, 2003	30,933	(3,045)	(5,723)	(0.14)	(0.13)	(0.25)	(0.25)
September 30, 2003	39,471	233	133	0.01	0.01	0.01	0.01
June 30, 2003	45,640	1,226	608	0.05	0.05	0.03	0.03
March 31, 2003	45,603	940	672	0.04	0.04	0.03	0.03
December 31, 2002	40,287	686	684	0.03	0.03	0.03	0.03

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

RESULTS OF OPERATIONS

The results of operations for the nine-month and three-month periods ended September 30, 2004 and 2003 have been restated to separate the results of continuing operations from discontinued operations. The Company will discontinue the manufacture of commercial footwear by the end of the first quarter of 2005 and will dedicate footwear manufacturing resources to specialized products for emergency response and military markets.

2004 COMPARED TO 2003

SALES

Sales revenue for the nine months and third quarter ended September 30, 2004 increased 11% and 29% respectively led by continued growth in rubber compounding volumes. Translation of U.S. dollar revenues and product mix changes contributed to lower reported revenues in the Railway and Distribution and Acton & Other segments respectively.

Nine Months Ended September 30 ($000)	**Rubber Compounding Operations**	Engineered Products		**Total**
		Railway & Distribution	**Acton & Other**	
Net Sales – 2004	$ 94,361	$ 18,603	$ 32,759	**$ 145,723**
– 2003	69,526	24,632	36,556	**130,714**
Increase (decrease) $	24,835	(6,029)	(3,797)	**15,009**
Increase (decrease) %	36%	(24%)	(10%)	**11%**

Three Months Ended September 30 ($000)	**Rubber Compounding Operations**	Engineered Products		**Total**
		Railway & Distribution	**Acton & Other**	
Net Sales – 2004	$ 34,708	$ 4,213	$ 11,920	**$ 50,841**
– 2003	20,453	8,928	10,090	**39,471**
Increase (decrease) $	14,255	(4,715)	1,830	**11,370**
Increase (decrease) %	70%	(53%)	18%	**29%**

Rubber Compounding – Sales increased by 36% and 70% respectively for the nine and three-month periods ended September 30, 2004 compared to the previous year. This growth began in the first quarter and reflects the significant growth in downstream markets as well as the addition of new customers. The increase in sales dollars also reflects the impact of price increases necessitated by dramatic increases in commodity raw material costs. The sales trend is expected to continue through the fourth quarter subject to the usual letup in volume at the end of the year.

Acton and Other – Sales decreased $3.7 million for the nine-month period and increased by $1.8 for the three-month period compared to 2003. The timing of military shipments in 2004 compared to 2003 accounts for most of the difference. 2004 military sales in total are still expected to exceed 2003 levels and sales of CBRN (chemical, biological, radiological, nuclear) protective boots for delivery in 2005 to the U.S. military are expected to grow. As military sales are primarily U.S. dollar-denominated, the decline in revenues during the first nine months also reflects the impact of the stronger Canadian dollar.

Sales of the discontinued commercial footwear operations at $8.9 million compared to $10.2 million declined primarily due to the wind-down of activity and lower unit prices.

Railway and Distribution – Because this segment's revenues are almost exclusively U.S. dollar-denominated, foreign currency translation losses on conversion to Canadian currency account for almost half of the revenue decline compared to the previous year. Lower railway construction activity in 2004, compared to 2003, and competitive conditions account for the remainder.

GROSS MARGINS

Gross margins for the nine months and third quarter ended September 30, 2004 increased $3,006 and $2,246 respectively, primarily due to volume gains in the Rubber Compounding Operations.

Nine Months Ended September 30 ($000)	Rubber Compounding Operations	Engineered Products		Total
		Railway & Distribution	Acton & Other	
Gross margins – 2004	$ 10,493	$ 2,446	$ 7,692	**$ 20,631**
– 2003	7,186	4,375	6,064	**17,625**
Increase (decrease) $	3,307	(1,929)	1,628	**3,006**
% of net sales – 2004	11.1	13.1	23.5	**14.2**
– 2003	10.3	17.8	16.6	**13.5**

Three Months Ended September 30 ($000)	Rubber Compounding Operations	Engineered Products		Total
		Railway & Distribution	Acton & Other	
Gross margins – 2004	$ 4,217	$ 356	$ 2,605	**$ 7,178**
– 2003	2,916	1,312	704	**4,932**
Increase (decrease) $	1,301	(956)	1,901	**2,246**
% of net sales – 2004	12.1	8.5	21.8	**14.1**
– 2003	14.3	14.7	7.0	**12.5**

Rubber Compounding – The continued commodity price increases in rubber compound raw materials during 2004 have reduced unit gross margins below traditional levels. The overall growth in margin dollars and percent has been derived primarily from increased sales volumes resulting in improved overhead absorption. Price increases in the third quarter continue to lag additional raw material cost increases. The competitiveness of the marketplace is expected to continue to restrict producers' abilities to fully recover commodity cost inflation.

Acton and Other – Gross margins increased $1,628 for the nine-month period and $1,901 for the three-month period ending September 30, 2004 compared to 2003. The labour disruption in 2003, the shift in expected 2004 military sales to the third and fourth quarter, the stronger Canadian dollar in 2004 and higher raw material costs in 2004 account for the dramatic year over year change, particularly in the third quarter.

Railway and Distribution – Gross margins decreased $1,929 and $956 for the nine-month and three-month periods respectively compared to 2003. A sales mix favouring lower margin product sales, higher steel prices, less rail line construction and a weaker U.S. dollar compared to 2003, reduced both total dollar revenues and percentage margins. The tire distribution margins were adversely affected compared to 2003 by decisions to rationalize the product line and write down associated inventory.

OPERATING EXPENSES

Operating expenses increased $1,335 and $529 respectively for the nine-month and three-month periods ended September 30, 2004, compared to the same periods in 2003. Increased shipping costs associated with increased sales and higher freight rates and the accelerated amortization of certain product development costs, were the major factors affecting expenses.

Nine Months Ended September 30 ($000)	Rubber Compounding Operations	Engineered Products		Corporate & Inter-Company Elimination	Total
		Railway & Distribution	Acton & Other		
Operating expenses[(1)] – 2004	$ 6,412	$ 2,618	$ 4,364	$ 1,944	**$ 15,338**
– 2003	5,153	2,570	4,677	1,603	**14,003**
Increase (decrease)	1,259	48	(313)	341	**1,335**

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Three Months Ended September 30 ($000)	Rubber Compounding Operations	Engineered Products: Railway & Distribution	Engineered Products: Acton & Other	Corporate & Inter-Company Elimination	Total
Operating expenses[(1)] – 2004	$ 2,171	$ 779	$ 1,413	$ 698	**$ 5,061**
– 2003	1,687	656	1,688	501	**4,532**
Increase (decrease)	484	123	(275)	197	**529**

[(1)]Operating expenses include total operating expenses, interest expense on demand loan and long-term debt, and other expense.

Rubber Compounding – Operating expenses increased by $1,259 and $484 for the nine months and three months ended September 30, 2004. Higher freight costs accounted for approximately 63% and 56% of the increases respectively, due to both higher business volume and higher rates. Foreign exchange losses net of minor operating cost savings comprise the balance.

Acton and Other – The phasing out of commercial footwear and cost reduction measures in the nine and three-month periods ending September 30, 2004 reduced selling, general and administrative expenses, compared to the nine month and three month periods ending September 30, 2003. Foreign exchange and interest costs were also lower in the same periods compared to 2003.

Railway and Distribution – Operating expenses increased by $48 and by $123 for both the nine months and three months ended September 30, 2004 when compared to the same periods in 2003. Lower selling and general expenses were partially offset by increased product development amortization for the nine-month period.

Other Income – Other income comprises foreign exchange gains on translation of U.S. dollar-denominated net working capital.

Interest Expense – Interest expense for the nine-month and three-month periods ended September 30, 2004 were $2.0 million and $0.6 million compared to $2.1 million and $0.7 million respectively in 2003. Notwithstanding lower total debt, the costs remained comparable to the prior period because of higher rates charged by lenders while covenant violations persist. The shift towards higher operating loan interest and reduced long-term debt interest will continue as term debt is repaid.

Income taxes – The combined income tax provisions for continuing and discontinued operations for the nine months ended September 30, 2004 and 2003 were comprised of the following:

	2004	2003
Canadian tax rate net of manufacturing and processing deduction	$ 1,163	$ 699
Federal large corporations tax	68	153
Foreign tax differentials	5	49
Tax recoveries and other	(94)	(129)
	$ 1,142	$ 772
Income tax provision (recovery) – continuing operations	$ 1,662	$ 1,223
– discontinued operations	(520)	(451)

LIQUIDITY AND CAPITAL RESOURCES – 2004

Cash flows from operations – AirBoss generated $8.8 million and $2.4 million in operating cash flows from continuing operations before changes in non-cash working capital balances during the nine and three month periods ended September 30, 2004, an improvement of $2.7 million and $1.6 million respectively over the same periods in 2003. The increase is due to the improved operating results of the rubber compounding business, net of declines in the other segments.

Non-cash working capital – The use of non-cash working capital decreased by $3.7 million and $7.6 million respectively for the nine and three-month periods ended September 30, 2004. Higher volumes and commodity price levels, together with reduced inventory quantities, combined to effect the net changes in non-cash working capital balances.

The following is a summary of cash provided by (used for) changes in working capital balances in continuing operations:

	Nine Months Ended Sept. 30		Three Months Ended Sept. 30	
($000)	**2004**	2003	**2004**	2003
Cash provided by (used for)				
Accounts Receivable	**$ (5,853)**	$ (657)	**$ 2,219**	$ 3,173
Inventories	**1,497**	(1,484)	**1,082**	(2,672)
Income taxes payable (receivable)	**730**	(134)	**390**	(9)
Prepaid expenses	**256**	847	**370**	642
Accounts payable and accrued liabilities	**3,721**	(2,000)	**3,150**	(1,572)
	$ 351	$ (3,428)	**$ 7,211**	$ (438)

Capital expenditures – Capital expenditures for the nine months ended September 30, 2004 were $2.1 million compared to the $2.6 million in the same period of 2003. Of this amount $1.6 million was invested in AirBoss Rubber Compounding of which more than $500 was used to upgrade production assets, improve electrical service for the expanding production volumes and building maintenance and data systems. Acton and Other invested $0.5 million mostly to expand military production capacity and to maintain and improve industrial products production.

Financing – The financial results of the fourth quarter of 2003 were materially affected by certain events which triggered a violation of certain covenants governing both the operating line of credit and the term loan. Since the covenants are based on a four-quarter trailing EBITDA calculation and because the fourth quarter 2003 results significantly reduce this amount, the Company remains in violation of these covenants as at September 30, 2004. AirBoss anticipates that this condition will continue until the fourth quarter of 2004 when the trailing 2003 fourth quarter drops from the calculation. The Company is required by Canadian GAAP to reclassify the $18.2 million long-term portion of the loan as a current liability since the lenders have the right to demand repayment while the covenant violations persist. No demands for repayment have been made. The reclassification of the long-term portion of the term loan to current creates a working capital deficiency.

The Company expects to fund its cash requirements for the year through internal sources and available lines of credit.

Discontinued operations – The Company concluded an agreement in the third quarter, whereby the “Acton” brand commercial footwear will be manufactured by a third party. This agreement follows the Company’s earlier announcement to focus resources on manufacture and sale of specialized footwear for emergency response and military market needs. The agreement is consistent with this objective but calls for the Company to continue limited production of certain commercial products into the first quarter of 2005.

Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

NEW ACCOUNTING STANDARDS

Stock-Based Compensation – Effective January 1, 2004, Canadian GAAP (CICA 3870) requires companies to estimate the fair value of stock-based compensation to employees and to expense this amount over the estimated useful life of the options. As a result, in 2004, the Company will expense the fair value of options granted to employees under the current stock option plan during the period from issuance to vesting. The estimated impact of adopting this accounting standard in 2004 is dependent upon future issuances of stock options under the stock option plan. Under transitional provisions, the Company charged the opening retained earnings with $698 to reflect the cumulative effect of the change in account policy.

Asset Retirement Obligations – Effective January 1, 2004, Canadian GAAP (CICA 3110) requires companies to estimate and record the fair value of the liability for an asset retirement obligation in the year in which it incurred and when a reasonable estimate of fair value can be made. This standard applies to legal obligations pertaining to the retirement of tangible long-lived assets from acquisition, construction, development or normal operations. The adoption of this standard did not have a material impact to the Company's consolidated financial position at January 1, 2004.

RISK FACTORS AND UNCERTAINTIES

Environmental – The Company's remediation of pre-existing contamination at Acton Vale continues. Under the terms of the Agreement of Purchase and Sale, clean-up costs are to be borne by the vendors. Accordingly, the Company does not anticipate any material financial impact from remediation efforts.

No other material changes in the main risk factors facing the Company have occurred since the fiscal year ended December 31, 2003. Risk factors are described in the Company's 2003 annual report.

OUTLOOK

AirBoss Rubber Compounding volumes for the fourth quarter of 2004 are expected to increase over the previous year. Margin percentages are expected to remain stable and results should continue to benefit from operating at high output levels.

The Railway and Distribution segment anticipates results comparable to 2003 during the next quarter subject to the continued weakness of the U.S. dollar and steel price surcharges. Overall military sales will be skewed to fourth quarter of 2004 compared to 2003 although sales are expected overall to equal 2003 levels. A review by the U.S. military of its "CBRN" requirements led it to decide not to pursue purchases of "MULO" boots as previously expected and announced. Instead, it has opted to purchase additional quantities of the type of boot currently supplied by the Acton Vale facility. Emergency response and military products will continue to grow as new distribution arrangements are negotiated and as military demand for protective clothing increases.

Acton has also embarked upon a profit improvement plan, which has already resulted in a significant realignment of its non-military footwear products as at September 30, 2004. The Company concluded an agreement during the third quarter which will result in the discontinuing of commercial footwear production in the first quarter of 2005.

November 10, 2004

Robert L. Hagerman
President and Chief Executive Officer

A. Kim Aagaard
Chief Operating Officer

Axel Breuer
Vice-President Finance and Secretary

Consolidated Balance Sheets

(thousands) (unaudited)

As at	September 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Accounts receivable	$ 27,169	$ 21,316
Inventories	19,230	20,727
Income taxes receivable	–	623
Prepaid expenses	499	755
Discontinued operations (Note 3)	8,469	5,651
	55,367	49,072
Capital assets	47,739	50,146
Discontinued operations (Note 3)	292	300
Goodwill	16,620	16,620
Other assets	2,431	3,122
	$ 122,449	$ 119,260
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Demand loan	$ 13,777	$ 13,835
Accounts payable and accrued liabilities	20,040	17,212
Income taxes payable	107	–
Discontinued operations (Note 3)	300	1,026
Term loan and other debt (Note 2)	22,346	24,642
	56,570	56,715
Future income tax liability	10,289	9,690
Accrued post retirement benefit liability (Note 4)	1,012	834
Shareholders' equity:		
Share capital	38,405	38,405
Contributed surplus (Note 1)	907	143
Retained earnings	15,266	13,473
	54,578	52,021
	$ 122,449	$ 119,260

Consolidated Statements of Earnings (Loss) and Retained Earnings

(thousands except per share amounts) (unaudited)

	Nine months ended Sept. 30		Three months ended Sept. 30	
	2004	2003	**2004**	2003
NET SALES (Note 3)	**$ 145,723**	$ 130,714	**$ 50,841**	$ 39,471
Cost of sales	**125,092**	113,089	**43,663**	34,539
Gross Margin	**20,631**	17,625	**7,178**	4,932
EXPENSES:				
General and administrative	**6,184**	5,722	**1,810**	1,886
Selling, marketing and distribution	**6,090**	5,367	**2,037**	1,592
Product research	**1,068**	837	**337**	332
Total operating expenses	**13,342**	11,926	**4,184**	3,810
Income from operations	**7,289**	5,699	**2,994**	1,122
Interest expense				
– Demand loan	**(634)**	(568)	**(188)**	(211)
– Long term debt	**(1,400)**	(1,578)	**(452)**	(529)
Other income	**38**	69	**(237)**	18
Income from continuing operations before income taxes	**5,293**	3,622	**2,117**	400
Provision for income taxes	**1,662**	1,223	**702**	167
Net income from continuing operations	**3,631**	2,399	**1,415**	233
Net (loss) from discontinued operations net of tax (Note 3)	**(1,140)**	(986)	**(488)**	(100)
Net income	**2,491**	1,413	**927**	133
Retained earnings, beginning of period	**13,473**	17,783	**14,339**	19,063
Stock-based Compensation (Note 1)	**(698)**	–	**–**	–
Retained earnings, beginning of period as previously restated	**12,775**	17,783	**14,339**	19,063
Retained earnings, end of period	**$ 15,266**	$ 19,196	**$ 15,266**	$ 19,196
Net income per share				
From continuing operations				
– Basic	**$ 0.16**	$ 0.11	**$ 0.06**	$ 0.01
– Diluted	**0.16**	0.10	**0.06**	0.01
From net income				
– Basic	**$ 0.11**	$ 0.06	**$ 0.04**	$ 0.01
– Diluted	**0.11**	0.06	**0.04**	0.01

Consolidated Statements of Cash Flows

(thousands) (unaudited)

	Nine months ended Sept. 30		Three months ended Sept. 30	
	2004	2003	**2004**	2003
CASH PROVIDED BY (USED IN):				
Operating Activities:				
Net income from continuing operations	**$ 3,631**	$ 2,399	**$ 1,415**	$ 233
Items not affecting cash:				
Amortization	**4,608**	3,614	**1,377**	966
Loss (gain) on disposal of capital assets	**–**	28	**–**	–
Future income taxes	**599**	131	**61**	(469)
Foreign exchange loss (gain)	**(260)**	(226)	**(544)**	18
Options expense	**66**	–	**66**	–
Post-retirement benefits expense	**178**	158	**60**	50
	8,822	6,104	**2,435**	798
Changes in non-cash operating working capital balances				
Accounts receivable	**(5,853)**	(657)	**2,219**	3,173
Inventories	**1,497**	(1,484)	**1,082**	(2,672)
Income taxes payable	**730**	(134)	**390**	(9)
Prepaid expenses	**256**	847	**370**	642
Accounts payable and accrued liabilities	**3,721**	(2,000)	**3,150**	(1,572)
	351	(3,428)	**7,211**	(438)
Continuing operations	**9,173**	2,676	**9,646**	360
Net change in discontinued operations (Note 3)	**(4,676)**	(1,285)	**(2,847)**	(954)
Investing Activities:				
Purchase of capital assets	**(2,135)**	(2,696)	**–**	(1,146)
Purchase of other assets	**(5)**	(795)	**–**	(563)
Proceeds of disposal of capital assets	**–**	86	**–**	–
	(2,140)	(3,405)	**–**	(1,709)
Financing Activities:				
Net increase (decrease) in demand loan	**(58)**	4,354	**(6,049)**	3,083
Repayment of term debt	**(2,250)**	(2,250)	**(750)**	(750)
Payment of other debt	**(49)**	(102)	**–**	(30)
Issuance of share capital	**–**	12	**–**	–
	(2,357)	2,014	**(6,799)**	2,303
Increase (decrease) in cash during the period	**–**	–	**–**	–
Cash and short term deposits at the beginning of the period	**–**	–	**–**	–
Cash and short term deposits at the end of the period	**$ –**	$ –	**$ –**	$ –
Interest paid	**$ 1,981**	$ 2,144	**$ 708**	$ 762
Income taxes remitted (recovered)	**(297)**	636	**45**	660

Notes to Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

NOTE 1 – ACCOUNTING POLICIES

The Consolidated Interim Financial Statements include the accounts of the Company, its wholly owned subsidiaries and its proportionate share of joint ventures (collectively, the "Company"). These Consolidated Interim Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and with the accounting policies outlined in the Company's audited Consolidated Financial Statements for the year ended December 31, 2003, except as noted below. These Statements and related notes should be read in conjunction with the Company's audited Consolidated Financial Statements for the year ended December 31, 2003. The Company is not significantly affected by seasonal or cyclical business factors.

Effective January 1, 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock-based payments. Under these recommendations, a fair value based method of accounting is required for all stock-based payments to non-employees and employees that are direct awards of stock appreciation rights. The Company has applied the new recommendations retroactively, without restatement of prior periods, for awards granted in the 2002 and 2003 fiscal years. As a result, the Company has recorded a charge to opening retained earnings and a corresponding adjustment to contributed surplus of $698 on January 1, 2004, for awards granted in 2002 and 2003.

During the three and nine months ended September 30, 2004, the Company issued 790,000 stock options to certain employees. The fair value of options issued has been determined using the Black-Scholes option pricing model using the following assumptions:

Risk-free rate	**3.8%**
Dividend yield	**0%**
Volatility factor of the expected market price of Company's shares	**71%**
Average expected option life (years)	**5.3**
Weighted average grant date fair value per share of options granted during the period	**$ 1.40**

The stock options issued in the three and nine months ended September 30, 2004 vest as follows:

	Number of Options
August 16, 2005	118,500
August 16, 2006	118,500
August 16, 2007	158,000
August 16, 2008	197,500
August 16, 2009	197,500
	790,000

For the three and nine month period ended September 30, 2004, the Company recorded stock-based compensation of $66 relating to the option grants, which is included in general and administrative expenses in the statement of operations.

Effective January 1, 2004, the Company adopted the new recommendations of the CICA with regard to asset retirement obligations. The standard provides guidance for the recognition, measurement and disclosure of liabilities for asset retirement obligations and associated retirement costs. It applies to legal obligations pertaining to the retirement of tangible long-lived assets obtained by acquisition, construction, development or normal operations. The standard requires the Company to record the fair value of the liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The Company has determined that it has no liabilities for asset retirement obligations as at September 30, 2004.

NOTE 2 – FINANCIAL COVENANTS

The financial results of the fourth quarter of 2003 were materially affected by certain events, which triggered a violation of certain covenants governing both the operating line of credit and the term loan. Since the covenants are based on a four-quarter trailing EBITDA calculation and because the fourth quarter 2003 results significantly reduce the EBITDA calculation, the Company remains in violation of these covenants as at September 30, 2004. The Company anticipates that it will continue to remain in violation until the fourth quarter of 2004 when the trailing 2003 fourth quarter drops from the calculation. While the lenders have not demanded repayment of these facilities, the Company is required by Canadian GAAP to reclassify the $18,250 long-term portion of the loan as a current liability since the lenders have the right to demand repayment so long as the covenant violations remain.

NOTE 2 – FINANCIAL COVENANTS *(continued)*

Although the reclassification creates a working capital deficiency, the consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge it liabilities and commitments in the normal course of business. In the event that the Company remains in breach of the covenants, the lenders could decide to demand repayment of the loans. In this hypothetical situation, there is no certainty that the Company would be able to secure alternative financing.

NOTE 3 – DISCONTINUED OPERATIONS

During the quarter ended June 30, 2004, the Company adopted a formal plan to discontinue the manufacture of commercial footwear and to focus its footwear resources on the manufacture and sale of specialized products for emergency response and military markets. Commercial footwear production had become increasingly uncompetitive with foreign-sourced imports. The Company recently concluded an agreement to permit a third party to manufacture commercial footwear under the "Acton" brand-name and the Company will produce selected items into the first quarter of 2005 to assist in the transition. The financial statements have been reclassified to segregate the results of the commercial footwear activities from continuing operations. The discontinued operations were previously reflected in the "Acton & Other" segment of the segmented results (Note 6).

A summary statement of operations for the commercial footwear operations is as follows:

	Nine months ended Sept. 30		Three months ended Sept. 30	
	2004	2003	**2004**	2003
Net sales	**$ 8,982**	$ 10,226	**$ 3,749**	$ 5,830
Gross Margin	**781**	2,136	**(22)**	1,186
Operating expenses	**2,441**	3,573	**688**	1,333
Loss before tax	**(1,660)**	(1,437)	**(710)**	(147)
Net loss	**$ (1,140)**	$ (986)	**$ (488)**	$ (100)
Amortization expense	**$ –**	$ 236	**$ –**	$ 82

Assets and liabilities held in discontinued operations:

As at	**September 30, 2004**	December 31, 2003
Accounts receivable	**$ 4,609**	$ 2,092
Inventory	**3,860**	3,559
Current assets	**8,469**	5,651
Accounts payable	**300**	1,026
Capital assets	**292**	300

The Company's assets and liabilities related to the commercial footwear activities will be liquidated in the normal course of business. Accounts receivable will be collected according to standard credit practices of the commercial footwear industry. Inventories will be liquidated in the normal course of business and any remaining finished goods will be sold by August 2005 under the terms of a purchase agreement. Accounts payable will be settled under the regular credit terms afforded the Company by its suppliers.

NOTE 4 – FUTURE RETIREMENT BENEFITS

During the three and nine months ended September 30, 2004, the Company's future retirement benefits expenses were $60 and $178, respectively.

NOTE 5 – CONTINGENCY

The Company has determined that the extent of soil contamination at its Acton Vale facility is greater than originally determined. Remediation options are being evaluated and costed. Under the terms of the original purchase agreement of 1999, all remediation costs are recoverable from the vendors. Accordingly, the Company does not anticipate any material financial impact from this activity.

Notes to Consolidated Financial Statements *(continued)*

Nine months ended September 30, 2004 and 2003

NOTE 6 – SEGMENTED INFORMATION

Nine Months Ended September 30, 2004	Sales excluding Inter-Company Canada	USA	Other	Total	Inter-Company
Rubber compounding operations	$ 33,742	$ 60,385	$ 234	$ 94,361	$ 4,973
Engineered products					
Railway and distribution	129	18,451	23	18,603	14
Acton and other	6,189	23,825	2,745	32,759	5,455
	$ 40,060	**$ 102,661**	**$ 3,002**	**$ 145,723**	**$ 10,442**

Nine Months Ended September 30, 2004	Rubber Compounding Operations	Engineered Products Railway & Distribution	Engineered Products Acton & Other	Corporate & Inter-Company Elimination	Total
Sales	$ 99,335	$ 18,616	$ 38,214	$ (10,442)	$ 145,723
Cost of sales	88,840	16,172	30,522	(10,442)	125,092
	10,495	2,444	7,692	–	20,631
Operating expenses	6,412	2,618	4,364	1,944	15,338
Income (loss) before income taxes	4,083	(174)	3,328	(1,944)	5,293
Provision for income taxes					1,662
Net income					**$ 3,631**
Assets employed – Canada	$ 68,940	$ –	$ 48,438	$ (962)	$ 116,416
– USA	–	6,033	–	–	6,033
– Total	$ 68,940	$ 6,033	$ 48,438	$ (962)	$ 122,449
Purchase of capital assets	$ 1,582	$ 134	$ 415	$ 4	$ 2,135
Amortization – Capital and other assets	1,617	719	2,110	162	4,608

Nine Months Ended September 30, 2003	Sales excluding Inter-Company Canada	USA	Other	Total	Inter-Company
Rubber compounding operations	$ 34,985	$ 37,925	$ 185	$ 73,095	$ 5,365
Engineered products					
Railway and distribution	127	21,312	136	21,575	–
Acton and other	9,050	24,738	2,256	36,044	4,299
	$ 44,162	$ 83,975	$ 2,577	$ 130,714	$ 9,664

Nine Months Ended September 30, 2003	Rubber Compounding Operations	Engineered Products Railway & Distribution	Engineered Products Acton & Other	Corporate & Inter-Company Elimination	Total
Sales	$ 78,459	$ 21,578	$ 40,341	$ (9,664)	$ 130,714
Cost of sales	71,273	17,203	34,277	(9,664)	113,089
	7,186	4,375	6,064	–	17,625
Operating expenses	5,153	2,570	4,677	1,603	14,003
Income (loss) before income taxes	2,033	1,805	1,387	(1,603)	3,622
Provision for income taxes					1,223
Net income					**$ 2,399**

NOTE 6 – SEGMENTED INFORMATION *(continued)*

Nine Months Ended September 30, 2003	Rubber Compounding Operations	Engineered Products: Railway & Distribution	Engineered Products: Acton & Other	Corporate & Inter-Company Elimination	Total
Assets employed – Canada	$ 66,102	$ –	$ 56,243	$ (467)	$ 121,878
– USA	–	7,326	–	–	7,326
– Total	$ 66,102	$ 7,326	$ 56,243	$ (467)	$ 129,204
Purchase of capital assets	$ 1,704	$ 85	$ 881	$ 26	$ 2,696
Amortization – Capital and other assets	1,428	412	1,604	170	3,614

Three Months Ended September 30, 2004	Sales excluding Inter-Company: Canada	USA	Other	Total	Inter-Company
Rubber compounding operations	$ 12,991	$ 21,605	$ 112	$ 34,708	$ 1,526
Engineered products					
Railway and distribution	61	4,140	12	4,213	10
Acton and other	1,896	8,226	1,798	11,920	1,399
	$ 14,948	**$ 33,971**	**$ 1,922**	**$ 50,841**	**$ 2,935**

Three Months Ended September 30, 2004	Rubber Compounding Operations	Engineered Products: Railway & Distribution	Engineered Products: Acton & Other	Corporate & Inter-Company Elimination	Total
Sales	$ 36,235	$ 4,223	$ 13,318	$ (2,935)	$ 50,841
Cost of sales	32,016	3,868	10,714	(2,935)	43,663
	4,219	355	2,604	–	7,178
Operating expenses	1,971	802	1,591	697	5,061
Income (loss) before income taxes	2,248	(447)	1,013	(697)	2,117
Provision for income taxes					702
Net income					**$ 1,415**
Purchase (refund) of capital assets	$ 295	$ 1	$ (299)	$ 3	$ –
Amortization – Capital and other assets	441	148	735	53	1,377

Three Months Ended September 30, 2003	Sales excluding Inter-Company: Canada	USA	Other	Total	Inter-Company
Rubber compounding operations	$ 11,008	$ 13,008	$ 26	$ 24,042	$ 2,442
Engineered products					
Railway and distribution	56	5,741	74	5,871	–
Acton and other	2,138	7,336	84	9,558	753
	$ 13,202	$ 26,085	$ 184	$ 39,471	$ 3,195

Notes to Consolidated Financial Statements *(continued)*

Nine months ended September 30, 2004 and 2003

NOTE 6 – SEGMENTED INFORMATION *(continued)*

Three Months Ended September 30, 2003	Rubber Compounding Operations	Engineered Products: Railway & Distribution	Engineered Products: Acton & Other	Corporate & Inter-Company Elimination	Total
Sales	$ 26,464	$ 5,872	$ 10,330	$ (3,195)	$ 39,471
Cost of sales	23,548	4,560	9,626	(3,195)	34,539
	2,916	1,312	704	–	4,932
Operating expenses	1,686	659	1,685	502	4,532
Income (loss) before income taxes	1,230	653	(981)	(502)	400
Provision for income taxes					(167)
Net income					**$ 233**
Purchase of capital assets	$ 960	$ 42	$ 144	$ –	$ 1,146
Amortization – Capital and other assets	484	134	295	53	966

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