Firan Technology Group Corporation

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Accounting Policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the 2004 audited financial statements of Firan Technology Group Corporation. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by Canadian generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the said audited financial statements and the notes below.

2. Change in Accounting Policy

Effective December 1, 2004, the Company adopted the amended recommendations in CICA Handbook Section 3870 ("Section 3870"), "Stock Based Compensation and Other Stock-Based Payments" which require fair value accounting for employee awards granted on or after February 1, 2002. Amounts expensed for the current period and year to date are disclosed in note 9.Stock-based compensation has been included in selling, general and administrative costs.

Based on the transitional provisions of Section 3870, the Company restated the opening deficit for employee awards that was previously included in the Canadian GAAP pro forma note disclosures for 2004, 2003 and 2002 amounting to $287,000.

3. Acquisition Of Young Electronics ("Chatsworth")

On December 10, 2004, the Company acquired from Ambitech International Inc. all of the shares of SnS Enterprises Inc. (operating as Young Electronics), a U.S. printed circuit board manufacturer based in Los Angeles, California. FTG financed the cash purchase price of US$5,000,000 by a combination of a private placement of units of FTG consisting of common shares and warrants, and secured bank debt.

To facilitate the financing of the transaction, the Company completed a private placement and obtained new secured bank debt. The private placement offering consisting of 2,142,600 units for gross proceeds of approximately C$3,000,000 (C$1.40 per unit). Each unit is comprised of one common share in the capital of FTG and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of C$1.75 until December 10, 2006.

The secured bank debt consists of a US$3,000,000 term facility and a US$1,000,000 revolving operating facility made available to SnS Enterprises on normal commercial terms and guaranteed by FTG (See Note 4).

The preliminary allocation of the purchase price is as follows:

Fair value of identifiable net assets:

Accounts receivable	$ 2,116,000
Inventory	1,975,000
Plant and equipment	440,000
Prepaids	89,000
Accounts payable	(1,571,000)
Capital lease	(22,000)
Goodwill	3,175,000
Purchase price	$6,202,000

Chatsworth is considered a self sustaining subsidiary. Accordingly, the assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during each month. The resulting translation adjustment is accumulated as a separate component of shareholders' equity.

4. Long-Term Debt

		August 26, 2005		November 30, 200
		(000's)		
Promissory notes, interest free, repayable at $100,000 annually to acquire certain assets	$	100	$	20
Term loan secured by a first charge on certain property, with interest at bank prime plus 2.00%, payable in monthly payments of interest only to September 30, 2005		1,500		1,50
Term loan in U.S. dollars secured by a first charge on certain property, with interest at bank prime plus 2.35%, payable in monthly payments of interest and principal of U.S. $50,000 due November 30, 2006.		3,140		-
Term loan in Canadian dollars for purchase of certain manufacturing equipment, with interest at bank prime plus 2.35% per annum, secured by a first charge on certain property, due July 19, 2006		250		-
Capital leases in U.S. dollars for certain manufacturing equipment, with interest at 6.0%, payable in blended monthly interest and principal payments of U.S. $58,712 to July 19, 2006.		2,843		3,30
		7,833		5,00
Less amounts due within one year		5,418		2,24
	$	2,415	$	2,75

Machinery and equipment includes assets under capital lease with a cost of $8,292,000 and accumulated amortization of $5,819,000 at August 26, 2005.

In addition to the bank term loans above (subject to a maximum borrowing limit of the lesser of $5,750,000 and a portion of accounts receivable and inventory, minus amounts outstanding under the Canadian dollar term loan noted above,), the Company has available an authorized line of credit of $5,000,000 bearing interest at a rate of prime plus 0.5%, which was undrawn at August 26, 2005. The line of credit is secured by a first charge on certain property. The bank has extended the expiry date on this facility to November 15, 2005. Negotiations are currently underway to renew this facility.

The Company entered into a new U.S credit facility to help facilitate the acquisition and support the ongoing operations of Chatsworth. The US$4,000,000 facility is made up of both operating and term facilities. The term loan is in the amount US$3,000,000 and is for a term of two years, expiring November 30, 2006, with a five-year loan amortization at bank rate plus 2.35%. The US$1,000,000 operating line is for a term of one year, expiring November 30, 2005 and is at bank rate plus 0.5%. The operating line was undrawn at August 26, 2005. All current and future borrowings are secured by a first charge on all assets of the U.S wholly owned subsidiary of the Company, as well as a guarantee by the Company.

Principal payments required on long-term debt in each of the next two years are as follows:

(thousands of dollars)

2006	$ 5,418
2007	2,415
	$ 7,833

5. Share Capital

(a) Common Shares

	2005	
	Number of Shares	Stated Capital (000's)
Balance, beginning of year	15,657,627	$ 10,347
Issuance of new shares	2,142,600	2,334
Balance, as at August 26, 2005	17,800,227	$ 12,681

In connection with the purchase of Chatsworth (see Note 3), the Company completed a private placement offering consisting of 2,142,600 units for gross and net proceeds of $3,000,000 ($1.40 per unit) and $2,710,000 respectively. Each unit is comprised of one common share in the capital of FTG and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 until December 10, 2006. The fair value of the warrants issued was estimated at the date of the grant using the Black-Scholes valuation model with the following assumptions: risk-free rate of 5%; expected life of two years; volatility of 55% and a dividend yield of nil. The fair value of the warrants was determined to be $0.35 per warrant resulting in a fair value of $376,000. This amount was recorded to contributed surplus and a reduction of share capital.

(b) Preferred Shares

The Company has 1,775,000 voting convertible preferred shares outstanding. The voting convertible preferred shares have the same voting rights as common shares, will pay no dividends and are convertible into common shares of the Company on a one for one basis for no additional proceeds.

(c) Contributed Surplus

(in thousands of dollars)	August 26, 2005	November 30, 2004
Balance, beginning of period	6,798	6,753
Change in accounting policy (Note 2	287	-
Stock option expense - year to date	116	-
Issuance of warrants	376	45
Balance, end of period	7,577	6,798

6. Restructuring

The Company recorded a $2,567,000 restructuring charge in the third quarter of 2003 related to the integration of Firan Technology Group Corporation Inc. with Circuit World Corporation. The restructuring costs are comprised of workforce reduction costs of $1,205,000 related to employee severances and benefits; charges of $884,000 related to redundant assets; $250,000 for relocation costs and $228,000 for data migration.

A continuity of the restructuring accrual is as follows:

(000's)	Severance and benefits	Redundant assets	Relocation costs	Data migration	Total
Initial Charge August 2003	**$1,205**	**$884**	**$250**	**$228**	**$2,567**
Payments or draw down during the period	(85)	(884)	(53)	(77)	**(1,099)**
November 30, 2003	**1,120**	-	**197**	**151**	**1,468**
Payments or draw down during the first quarter of 2004	(249)		(30)	(159)	**(438)**
Revision to previous estimates	-	(313)	(45)	45	**(313)**
Payments or draw down the last nine months of 2004	(568)	313	(102)	(37)	**(394)**
November 30, 2004	**303**	-	**20**	**-**	**323**
Payments or draw down during the period	(130)	-	(5)	-	(135)
February 25, 2005	**173**	-	**15**	**-**	**188**
Payments or draw down during the period	(101)	-	-	-	(101)
Revision to previous estimates	15	-	(15)	-	-
May 27, 2005	**87**	-	**-**	**-**	**87**
Payments or draw down during the period	(37)	-	-	-	(37)
Revision to previous estimates	7	-	-	-	7
August 26, 2005	**$57**	-	**-**	**-**	**$57**

7. Severance Costs

During the first quarter of 2004 Firan Technology Group Corporation terminated the employment of several individuals. The cost of these terminations was $1,200,000 with $898,000 paid out in 2004 and the remaining $302,000 settled in 2005. These costs relate to the merger occurring in 2003. In addition, $38,000 of severance liabilities unrelated to the merger was outstanding at the end of 2004, and settled in the first nine months of 2005.

In addition, the Company incurred additional severance costs of $276,000 during the first quarter of 2005, and $385,000 in the third quarter of 2005. The total severance obligation outstanding at August 26, 2005 is $412,000 ($340,000 at November 30, 2004).

8. Segmented Information

The Company reports segmented information based on the two operating segments within the Corporation.

(in thousands of dollars)	Operating Segments					
Three Months Ended	August 26, 2005			August 27, 2004		
	Circuits	Aerospace	Total	Circuits	Aerospace	Total
Sales	$ 10,964	$ 2,254	$13,218	$ 10,801	$ 2,560	$13,361
Amortization of plant and equipment	815	72	887	799	88	887
Interest expense on long-term debt	106	-	106	70	-	70
Income tax provision	174	-	174	-	-	-
Net earnings	27	92	119	352	406	758
Segment assets	30,520	5,216	35,736	27,230	5,729	32,959
Goodwill	4,214	-	4,214	1,039	-	1,039
Additions to plant and equipment	206	(5)	201	344	9	353
Nine Months Ended	August 26, 2005			August 27, 2004		
	Circuits	Aerospace	Total	Circuits	Aerospace	Total
Sales	$ 32,660	$ 6,751	$39,411	$ 29,801	$ 6,376	$36,177
Amortization of plant and equipment	2,448	216	2,664	2,398	264	2,662
Interest expense on long-term debt	350	-	350	206	-	206
Income tax provision/(recovery)	623	(50)	573	-	-	-
Net (loss)/earnings	(1,439)	394	(1,045)	(976)	812	(164)
Segment assets	30,520	5,216	35,736	27,230	5,729	32,959
Goodwill	4,214	-	4,214	1,039	-	1,039
Additions to plant and equipment	785	155	940	836	22	858

Geographic Location	August 26, 2005			August 27, 2004		
(in thousands of dollars)						
Three Months Ended	**Canada**	**United States**	**Total**	**Canada**	**United States**	**Total**
Sales (by location of customer)	1,357	11,861	13,218	1,567	11,794	13,361
Goodwill (by location of division)	1,039	3,175	4,214	1,039	-	1,039
Segment Assets (by location of division)	27,326	8,410	35,736	32,959	-	32,959
	August 26, 2005			August 27, 2004		
Nine Months Ended	**Canada**	**United States**	**Total**	**Canada**	**United States**	**Total**
Sales (by location of customer)	4,234	35,177	39,411	4,350	31,827	36,177
Goodwill (by location of division)	1,039	3,175	4,214	1,039	-	1,039
Segment Assets (by location of division)	27,326	8,410	35,736	32,959	-	32,959

9. Stock Based Compensation

The Company recognized a compensation expense in the consolidated statement of operations of approximately $ 37,000 in the third quarter of 2005, and $116,000 for the nine months ended August 26, 2005. Of these amounts, $1,000 for the quarter and $3,000 year to date relates to 30,000 options granted during the first quarter of 2005. The remainder of the amount relates to amortization of compensation expense for options granted in 2004 and 2003. This amount was expensed in the current period and credited to contributed surplus. The fair value of options granted was estimated at the date of the grant using the Black-Scholes valuation model with the following assumptions: risk-free rate of 5%; expected life of three years; volatility of 55% and a dividend yield of nil. During the first quarter of 2005, 30,000 options were granted with a fair value of $0.55 per option.

10. Foreign Currency Risk

As at August 26, 2005, the Company had entered into U.S. dollar forward sales contracts maturing in the fourth quarter of 2005 of U.S.$2,000,000 at rates between $1.1934 and $1.2137. The fair value and unrealized gain of the contracts was $13,000 and was recorded in the consolidated statement of operations as a decrease in selling, general and administration costs.

11. Scientific Research and Experimental Development ("SR&ED") Tax Credits

The Company has filed but not recorded the benefit of SR&ED tax credits in the amount of $606,000.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.