FIRAN TECHNOLOGY GROUP CORPORATION

2021 ANNUAL REPORT

CEO MESSAGE

We did not go into 2021 expecting another full year of the COVID-19 pandemic. As a result, our year was more challenging than expected. With the hard work and commitment of everyone at FTG, we made it through the year and are now looking forward to 2022.

During 2021, we did continue to benefit from the various forms of government support provided to hard hit industries as a result of COVID-19 and this enabled us to retain our valuable and skilled employees. By retaining our skilled workforce, we believe we are better positioned to recover quickly as the market recovers. This is even more important given the hiring challenges so many companies and industries are facing as economies around the world recover.

Through 2021, the COVID-19 pandemic impacted both demand for our products and our operations. Once again, everyone at FTG pulled together to navigate through the challenges to support our customers and to ensure FTG remained strong. As the vaccines rolled out across the world, FTG employees stepped up and we now have over 90% of our world-wide employees vaccinated.

We remained committed to our strategy of participating in all segments of the Aerospace market including air transport, business jets, general aviation, helicopters and simulators. We remain focused on the defense market segments as well. By addressing all market segments, which move on their business cycles, FTG should have a more stable revenue stream as these business cycles occur. For 2021 this would have been very effective as the air transport market was down, but unfortunately we also saw a 70%+ drop in our simulator products business and the combination of these two events made for a tough year.

Even with these challenges, FTG remained profitable for the year as a result of careful cost management, government support and strong execution by our workforce. We continued to invest for the future. During the year, we invested over $7.7M or almost 10% of sales in R&D and capital equipment, again to position FTG for the recovery in the market. Even with these investments, we improved our balance sheet and FTG’s net cash position increased by over $5 million in the year. FTG’s balance sheet is the strongest it has ever been.

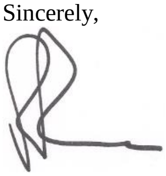
Looking forward, we are expecting 2022 to be a recovery year for the aerospace industry. The airframe manufacturers have announced production rate increases and this will drive demand through their complete supply chain, including FTG. Air traffic is picking up and this will drive demand in the aftermarket which will also benefit everyone in the aerospace supply chain.

We have not lost focus on other key initiatives at FTG. We remain focused on operational excellence. Our efforts continue on developing an FTG Operating System, based on best practices from inside and outside FTG, to ensure consistent operating performance at all sites. This multi-year initiative will be a strategic strength for the Company and one that is critical to the success of existing and future FTG sites.

Progress was also made regarding technology. In our Circuits business, we continue with our efforts on automation. In additive manufacturing, we have partnered with a new technology company to offer a solution to our customers and we are using our Fredericksburg site as the focus for these efforts. In our Aerospace business, our goal remains to increase our activity in higher level assemblies, including active displays. We won new work in this area in 2021 which will benefit future years.

FTG has made it through one of the toughest years in our history and I would like to thank everyone at FTG for their hard work, dedication and commitment during these challenging times. We have a great team and are all ready for future challenges and successes.

Sincerely,



Brad Bourne
President and CEO

February 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(dollar amounts stated in thousands of Canadian dollars unless otherwise specified)

This Management's Discussion and Analysis ("MD&A") for the year ended November 30, 2021 (fiscal 2021) is as of February 9, 2022 and provides information on the operating activities, performance and financial position of Firan Technology Group Corporation ("FTG" or the "Corporation") and should be read in conjunction with the audited consolidated financial statements of the Corporation for fiscal 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 9, 2022, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

CORE BUSINESS AND STRATEGY

FTG is a leading global supplier of aerospace and defence electronic products and subsystems, with facilities in Canada, the United States and China. It is a publicly traded corporation on the Toronto Stock Exchange listed under the trading symbol "FTG".

FTG has two operating segments: FTG Circuits and FTG Aerospace.

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the Global marketplace. Currently, FTG Circuits has manufacturing operations in Canada (Toronto, Ontario), U.S.A. (Chatsworth, California, and Fredericksburg, Virginia), as well as a joint venture and sourcing arrangements with operating facilities in China. FTG Circuits' customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada, Chatsworth, California, U.S.A. and Tianjin, China. These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft. With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large U.S. aerospace and defense market, penetrating the rapidly growing Asian aerospace market, and becoming a more strategic supplier to many of its customers.

FTG is a global company with revenues coming from all geographic regions of the world and our current strategy is to increase the utilization and operational leverage of those facilities and realize the significant margin expansion opportunities as fixed costs are already in place. A key element of FTG's strategy has been its continued focus on Operational Excellence. This has led to improved performance across the Corporation. By weaving *Operational Excellence* into its day-to-day operations, FTG continues to create a corporate culture where quality products, on time delivery and customer service are the paramount forces driving the Corporation forward.

FTG continues to increase its technical skills in both segments to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

The FTG management team is focused on and committed to running a healthy business, offering stability to its customers, suppliers and employees while delivering long-term value to all of its stakeholders.

FTG continues to strive to balance its sales between commercial aerospace and defence customers. This should help maintain a stable revenue stream as each market goes through its normal cycles.

FTG remains clearly positioned as an aerospace and defence electronics company. FTG is now engaged with most of the top aerospace and defence prime contractors in North America and is making significant progress penetrating markets beyond this continent. FTG's focus on this market is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

Going forward, the Corporation's focus and initiatives will continue to revolve around controlling the Corporation's infrastructure, material and labour costs while increasing the utilization of our facilities realizing significant operational leverage and margin expansion. Simultaneously, management continues to look for accretive business combinations that can add to FTG's strengths and offerings.

BUSINESS HIGHLIGHTS

The novel coronavirus ("COVID-19") continues to negatively impact the global economy and, in particular, reduced production rates implemented by the commercial aircraft manufacturers has resulted in economic headwinds for the commercial aerospace supply base, which includes FTG. As a lower tier supplier to the commercial aerospace sector, this impact was most significant in the earlier part of 2021. Although the longer-term strategies remain in place, FTG's short and medium term focus is on maintaining a safe working environment, profitable operations, a healthy balance sheet and being a responsive supplier to our customers. Business highlights in 2021 include the following:

- In July, 2021, FTG extended its committed Credit Facility with our existing financial institution to 2026, which includes an operating facility of US$10.0M and a capex facility of US$10.0M, as well as sufficient capacity for foreign exchange forward contracts, precious metal forward contracts.

- Received subsidies of $3.5M from programs funded by the Canadian and US governments.

- We received notification that Paycheck Protection Program (PPP) loans of $3.0M (US$2.4M), which had been provided to our U.S. subsidiaries in 2020 by the U.S. Government and administered by the Small Business Administration, had been forgiven in full.

- FTG revenues were approximately 30% lower in 2021 compared to pre-pandemic levels in 2019. This reduction is commensurate with reduced revenues at the Corporation's largest customers in the Commercial Aerospace sector. FTG has utilized the proceeds of government assistance, as described above, to partially offset the negative earnings impact of reduced revenue during the pandemic, whilst maintaining its highly-skilled workforce. The Corporation believes that the availability of its workforce will prove to be a key asset during the pending recovery of the Commercial Aerospace market, especially given the tight global labour markets.

- Continued focus on customer requirements, which resulted in backlog, as of November 30, 2021 of $39.7M, which is a 6.6% increase from the prior year.

NON-GAAP FINANCIAL MEASURES

This MD&A presents certain non-GAAP financial measures to assist readers, including shareholders, creditors and other stakeholders, in understanding the Corporation's performance. These measures are "EBITDA" and "free cash flow". Non-GAAP financial measures are not standardized financial measures under Generally Accepted Accounting Principles ("GAAP") and are unlikely to be comparable to similar financial measures disclosed by other issuers. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP. These measures should be considered in addition to, and not as a substitute for, operating expenses, net earnings, cash flows and other measures of financial performance and liquidity reported in accordance with GAAP. The following sections below provide information on each non-GAAP financial measure used in this MD&A, including a reconciliation of such financial measures to the most directly comparable financial measure that is disclosed in the primary financial statements of the Corporation. The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of February 9, 2022 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 9, 2022 which is available on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF 2021

The following table provides the operating results for the fourth quarter of fiscal years 2021 and 2020:

	Three months ended	
(in thousands of Canadian dollars)	**November 30, 2021**	November 30, 2020
Sales	**$ 20,328**	$ 26,711
Cost of sales		
Cost of sales	**14,597**	18,227
Depreciation of plant and equipment	**1,108**	1,035
Depreciation of right-of-use assets	**376**	386
Total cost of sales	**16,081**	19,648
Gross margin	**4,247**	7,063
Expenses		
Selling, general and administrative	**2,456**	2,972
Research and development costs	**1,239**	1,318
Recovery of investment tax credits	**(71)**	(165)
Depreciation of plant and equipment	**58**	59
Depreciation of right-of-use assets	**17**	15
Amortization of intangible assets	**30**	91
Interest expense on bank debt, net	**11**	52
Accretion on lease liabilities	**122**	139
Stock based compensation	**40**	18
Foreign exchange (gain) loss	**(144)**	446
Total expenses	**3,758**	4,945
Earnings before income taxes	**489**	2,118
Current income tax expense	**999**	1,286
Deferred income tax expense	**(370)**	(446)
Total income tax expense	**629**	840
Net earnings (loss)	**$ (140)**	$ 1,278
Attributable to:		
Non-controlling interest	**$ (12)**	$ (30)
Equity holders of FTG	**$ (128)**	$ 1,308

Supplementary Information for the fourth quarter of fiscal years 2021 and 2020:

(in thousands of dollars except per share amounts)	**2021** **$**	2020 $
Number of common and preferred shares, in aggregate	**24,491**	24,491
Earnings per share:		
Basic	**0.00**	0.06
Diluted	**0.00**	0.06
EBITDA[1]	**2,271**	3,960
Total assets	**79,452**	86,676
Net cash position[2]	**17,934**	12,637
Free cash flow[3]	**1,290**	4,050

[1] Earnings before interest, tax, depreciation and amortization ("EBITDA") is a non-IFRS measure. The Corporation calculates EBITDA as net earnings attributable to equity holders of FTG before interest expenses (net), income tax expenses, depreciation, amortization and stock based compensation.
[2] Net cash is defined as cash and cash equivalents less bank debt.
[3] Free cash flow ("FCF") is a non-IFRS financial measure, which the Corporation defines as net cash flow from operating and investing activities excluding acquisitions, less lease liability payments.

Sales

	Fourth Quarter			
	2021 **$**	2020 $	Change $	Change %
Circuits	**14,316**	14,076	240	1.7
Aerospace	**6,012**	12,635	(6,623)	(52.4)
Net sales	**20,328**	26,711	(6,383)	(23.9)

The significant variances in fourth quarter sales in 2021 as compared to 2020 were as follows:

- Improved market conditions for commercial aerospace resulted in increased sales activity for the Circuits segment. The underlying sales growth of $1.0M was partially offset by an unfavourable foreign exchange impact of $0.7M.
- Sales in the Aerospace segment are $6.6M lower in Q4 2021 as compared to Q4 2020, which is attributable to reduced sales of Simulator products. Simulator products include a high content of purchased components, therefore the individual unit selling prices are high relative to other products sold by the Aerospace segment. Timing of orders for these products has greater variability than other products sold by FTG. Sales in Q4 2021 were also negatively impacted by an unfavourable foreign exchange impact, relative to Q4 2020.

Gross margin

	Fourth Quarter			
	2021 **$**	2020 $	Change $	Change %
Gross margin	**4,247**	7,063	(2,816)	(39.9)
% of net sales	**20.9%**	26.4%		

Gross margin was $2.8M lower in Q4 2021 as compared to Q4 2020 as a result of the following:

- Reduced sales volumes in Q4 2021 of $6.4M, principally within the Simulator product line, resulted in lower gross margin of approximately $2.0M.
- Although FTG continued to qualify for COVID-19 wage subsidy programs in Canada and the U.S., the amount received in Q4 2021 was $0.9M less than in Q4 2020.
- Unfavourable foreign exchange variances of approximately $0.6M were offset by productivity gains and cost reductions.

Net Earnings (Loss)

	Fourth Quarter			
	2021 $	2020 $	Change $	Change %
Net earnings (loss)	**(140)**	1,278	(1,418)	(111.0)
Non-controlling interest	**(12)**	(30)	18	(60.0)
Net earnings (loss) attributable to equity holders of FTG	**(128)**	1,308	(1,436)	(109.8)

The decrease in net earnings in the fourth quarter of 2021 over the prior year is the result of lower sales and gross margin, partially offset by lower selling, general and administrative costs and lower FX expense.

Cash Flow

	Fourth Quarter			
	2021 $	2020 $	Change $	Change %
Operating activities	**2,680**	4,741	(2,061)	(43)
Investing activities	**(957)**	(206)	(751)	365
Financing activities	**(669)**	(1,144)	475	(42)
Free cash flow	**1,283**	4,050	(2,767)	(68)

Cash flow from operations in the fourth quarter of 2021 decreased from fourth quarter 2020 primarily due to lower net earnings.

Investing activities in the fourth quarter of fiscal 2021 primarily included $949 of cash used for capital expenditures (Q4 2020 – $498).

Cash used by financing activities in the fourth quarter of fiscal 2021 included $229 towards repayments of bank debt (Q4 2020 – $504) and $440 towards lease liability payments (Q4 2020 – $485). Cash used for repayments of bank debt in Q4 2021 is less than in Q4 2020 as one of the term loans was repaid in full in November 2020.

Free cash flow in the fourth quarter of 2021 has an unfavourable variance of approximately $2.8M as compared Q4 2020. Contributors to the variance include lower cash flow from operations and increased levels of investment in capital equipment.

RESULTS OF OPERATIONS FOR THE 2021 FISCAL YEAR

(in thousands of dollars except per share amounts)	**2021** **$**	2020 $
Sales	**79,365**	102,435
Gross margin	**17,133**	26,419
Net earnings to equity holders of FTG	**256**	1,390
Number of common and preferred shares, in aggregate	**24,491**	24,491
Earnings per share:		
Basic	**0.01**	0.06
Diluted	**0.01**	0.06
EBITDA	**9,644**	13,424
Total assets	**79,452**	86,676
Net cash position	**17,934**	12,637
Free cash flow	**2,901**	11,067

Sales

	Year-to-Date			
	2021 **$**	2020 $	Change $	Change %
Circuits	**52,389**	65,824	(13,435)	(20.4)
Aerospace	**26,976**	36,611	(9,635)	(26.3)
Net sales	**79,365**	102,435	(23,070)	(22.5)

Lower revenue in 2021 is the result the COVID-19 downturn on the commercial aerospace market, COVID-19 impacts on operations, lower revenues for Simulator products and unfavourable FX impact.

- As a lower tier supplier to the commercial aerospace sector, the impact of COVID-19 on demand for our products lagged the upper tiers of the sector. Order intake for our products was particularly weak in the fourth quarter of 2020 and first quarter of 2021. Given typical delivery lead times of 3-4 months, this led to lower sales in the earlier part of 2021. Order intake increased in each sequential quarter of 2021.
- The operational impacts of COVID-19 included higher than normal employee absences across our North American sites and longer lead times for the supply of critical components, particularly in the Aerospace segment.
- Simulator product revenue was approximately $4.3M in 2021 as compared to $13.9M in 2020. Although FTG's Aerospace segment has a strong competitive position in this market sector, the timing of customer orders for Simulator products is variable.
- A large majority of FTG's customer contracts are denominated in U.S. currency, whereas the company reports its financial results in Canadian currency. The average foreign exchange rate experienced in 2021 was 7% (9 cents) lower than in 2020 and the estimated negative impact on sales is $5.3M. This is partially mitigated by FTG's currency hedging program, which resulted in realized gains on FX forward contracts of $1,250 added to sales during 2021 (2020 – realized losses of $1,082 were deducted from sales).

The Corporation's consolidated net sales by location of its customers are as follows:

	Year-to-Date					
	2021		2020		Change	
	$	**%**	$	%	$	%
Canada	**8,079**	**10.2**	7,116	6.9	963	13.5
United States	**59,585**	**75.1**	79,266	77.4	(19,681)	(24.8)
Asia	**6,811**	**8.6**	12,238	11.9	(5,427)	(44.3)
Europe	**4,494**	**5.7**	2,866	2.8	1,628	56.8
Other	**396**	**0.4**	949	1.0	(553)	(58.3)
Total	**79,365**	**100**	102,435	100	(23,070)	(22.5)

The relative decline of sales derived from the United States in 2021 is the result of lower shipments to Simulator customers, which are primarily located in the United States. The decline of sales to Asia is because this region is primarily commercial aerospace for FTG.

The following table summarizes the percentages of net sales of the Corporation's largest customers:

	Year-to-Date	
	2021	2020
	%	%
Largest customer	**25.3**	20.8
Second largest customer	**9.2**	9.3
Third to fifth largest customers	**16.6**	21.4
Largest five customers	**51.1**	51.5

Gross Margin

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Gross margin	**17,133**	26,419	(9,286)	(35.1)
% of net sales	**21.6%**	25.8%		

The decrease in gross margin dollars and the gross margin rate is the result of reduced operating leverage on lower sales volumes. In addition, the gross margin for the Toronto sites is negatively impacted by the stronger Canadian dollar relative to the U.S. dollar, as much of the cost structure of those sites is in Canadian dollars.

Selling, General and Administrative Expenses

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Selling, general and administrative expenses	**10,950**	13,286	(2,336)	(17.6)
% of net sales	**13.8%**	13.0%		

The decrease of $2,336 during fiscal 2021 is the result of reduced travel, lower marketing costs, reduced performance compensation costs, lower restructuring costs and reduced provisions for expected credit losses.

Research and Development

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Research and development costs	**5,351**	5,284	67	1.3
Recovery of investment tax credits	**(536)**	(735)	199	(27.1)

Research and development ("R&D") costs include the cost of direct labour, materials and an allocation of overhead specifically incurred in activities regarding technical uncertainties in production processes, product development and upgrading. Generally, these costs represent specific activities regarding the technical uncertainty of production processes and exotic materials. R&D costs were focused on new product development and process and product improvements.

R&D costs for fiscal 2021 were 6.7% of net sales as compared to 5.2% of net sales for last year. The Corporation was able to maintain its R&D initiatives despite lower sales in 2021.

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. During the year ended November 30, 2021, ITCs where earned from qualifying research and development expenditures.

The Corporation has, as at November 30, 2021, $327 (2020 – $1,359) of investment tax credits available to be applied against future income taxes otherwise payable in Canada.

Depreciation and Amortization

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Depreciation of plant and equipment	**4,493**	4,367	126	2.9
Depreciation of right-of-use assets	**1,556**	1,615	(59)	(3.7)
Amortization/impairment of intangible assets	**240**	1,726	(1,486)	(86.1)
Amortization, other	**43**	45	(2)	(4.4)
Total	**6,332**	7,753	(1,421)	(18.2)

The increase in depreciation of plant and equipment during 2021 is mainly due to the timing of capital expenditures being put into service.

Fluctuations in depreciation of right-of-use assets are primarily due to currency translation.

The decrease in amortization of intangible assets is due to a lower level of intangible assets carried on the balance sheet in 2021.

Interest Expense

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Interest expenses on bank debt, net	**92**	211	(119)	(56.4)
Accretion on lease liabilities	**490**	556	(66)	(11.9)
Total interest expense	**582**	767	(185)	(24.1)

The decrease in interest expense in 2021 was mainly due to the decrease in bank debt as compared to last year.

Fluctuations in accretion on lease liabilities are primarily due to currency translation.

Forgiveness of debt

In May 2020, the Corporations' U.S. subsidiaries, FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc., closed on an unsecured bank debt guaranteed under the Paycheck Protection Program ("PPP") in the total amount of US$2,369 or $3,309 ("PPP Loans") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of the U.S. Government. PPP Loans may be forgiven in whole or in part, to the extent permitted in accordance with the applicable provisions of the CARES Act.

In the first quarter of fiscal 2021, US$1,032 or $1,336 of the PPP loans were fully forgiven. In the third quarter of fiscal 2021, the remaining US$1,337 or $1,668 of the PPP loans were fully forgiven.

Foreign Exchange

The Canadian dollar spot rate, as compared to the U.S. dollar has (appreciated) depreciated as follows during 2021:

Year-to-Date	**2021**				2020			
	November 30, 2021	**November 30, 2020**	**Change**		November 30, 2020	November 30, 2019	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.2792**	**1.2965**	**(0.02)**	**(1.3)**	1.2965	1.3289	(0.03)	(2.4)

The Corporation has recorded foreign exchange (gain) loss as follows:

	Year-to-Date		
	2021	2020	Change
	$	$	$
Foreign exchange (gain) loss	**595**	1,042	(447)

The foreign exchange loss for fiscal 2021 was mainly on the re-valuation of the U.S. dollar assets and liabilities on the respective consolidated statements of financial position. These foreign exchange fluctuations are due to the variance in U.S. dollar balances held by the Corporation, the changes in average and month-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place.

The table below shows the effect of the net realized gain (loss) on foreign exchange forward contracts on net sales:

	Year-to-Date	
	2021	2020
	$	$
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**78,115**	103,517
Adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**1,250**	(1,082)
Net sales	**79,365**	102,435
Costs of sales excluding depreciation	**56,494**	70,307
Depreciation of plant and equipment and right-of-use assets	**5,738**	5,709
Total cost of sales	**62,232**	76,016
Gross margin	**17,133**	26,419
Gross margin %	**21.6%**	25.8%
Gross margin before f/x gain (loss)	**15,883**	27,501
Gross margin % before f/x gain (loss)	**20.3%**	26.6%

Income Tax Expense

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Current income tax expense	**2,684**	3,715	(1,031)	(27.8)
Deferred income tax expense	**(276)**	(331)	55	(16.6)

During the year ended November 30, 2021, current income tax includes current income tax expense of $2,705 (2020 – $3,625) related to income tax on earnings in the Canadian entity, and recovery of $31 (2020 – $28) related to taxes for the U.S. subsidiaries, and tax expense of $57 (2020 – $62) related to withholding tax on remittances from the Chinese subsidiaries to the Corporation and income taxes for the Chinese subsidiaries.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The Corporation's consolidated effective tax rate for the year ended November 30, 2021 was 93.4% (2020 – 72.8%). The Corporation's effective tax rate differs from the statutory rates mainly as a result of tax benefits not recognized.

RECONCILIATION OF NET INCOME TO EBITDA

The following table reconciles EBITDA to net earnings in accordance with IFRS:

	Year-to-Date	
	2021	2020
	$	$
Net earnings to equity holders of FTG	**256**	1,390
Add back:		
Interest expense	**582**	767
Income tax expense	**2,408**	3,384
Depreciation, amortization and impairment of intangible assets	**6,332**	7,753
Stock based compensation	**66**	130

EBITDA	**9,644**	13,424
% of net sales	**12.2%**	13.1%

OVERVIEW OF HISTORICAL QUARTERLY RESULTS
(thousands of dollars except per share amounts and exchange rates)

	Q1-20	Q2-20	Q3-20	Q4-20	**Q1-21**	**Q2-21**	**Q3-21**	**Q4-21**
Circuit Segment Sales	$16,457	$19,599	$15,690	$14,078	**$11,985**	**$12,984**	**$13,103**	**$14,316**
Aerospace Segment Sales	8,081	7,223	8,674	12,633	**6,985**	**7,346**	**6,634**	**6,012**
Total Net Sales	24,538	26,822	24,364	26,711	**18,970**	**20,330**	**19,738**	**20,328**
Earnings (Loss) before income taxes	(2,160)	3,300	1,388	2,118	**60**	**578**	**1,451**	**489**
Net Earnings (Loss) Attributable to Equity holders of FTG	(2,597)	2,034	645	1,308	**(400)**	**10**	**774**	**(128)**
Earnings (Loss) per share: Basic[1]	($0.11)	$0.08	$0.03	$0.06	**($0.02)**	**$0.00**	**$0.03**	**$0.00**
Diluted	($0.11)	$0.08	$0.03	$0.06	**($0.02)**	**$0.00**	**$0.03**	**$0.00**
Quarterly average CDN$ US$ exchange rates	$1.3169	$1.3996	$1.3449	$1.3176	**$1.2740**	**$1.2390**	**$1.2465**	**$1.2561**

The Corporation is exposed to foreign exchange fluctuations as the vast majority of sales are earned in U.S. dollars, while a significant amount of operating expenses are incurred in Canadian dollars. The Corporation regularly enters into foreign exchange forward contracts to sell excess U.S. dollars generated from its Canadian operations.

LIQUIDITY AND CAPITAL RESOURCES

	November 30, 2021 $	November 30, 2020 $
Total liquidity (cash, accounts receivable, contract assets and inventory)	**53,981**	56,116
Unused credit facilities[1]	**22,540**	22,500
Working capital	**39,973**	39,406

[1] US$18.2M (2020 – US$17.4M)

	Q4 2021 $	Q4 2020 $
Accounts receivables days outstanding	**72**	62
Inventory turns	**3.4**	3.8
Accounts payable days outstanding	**86**	74

All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets. The Corporation was in compliance with all of its financial loan covenants as at November 30, 2021.

Management believes the Corporation has sufficient liquidity and capital resources to meet its obligations for the foreseeable future.

The following table outlines the contractual obligations of the Corporation as at November 30, 2021.

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Amount**
	$	**$**	**$**	**$**	**$**
Bank debt (committed facility)	977	848	502	-	**2,327**
Bank debt interest payments	80	41	14	-	**135**
Accounts payable and accrued liabilities, and provisions	13,803	-	-	-	**13,803**
Contract liabilities	335	-	-	-	**335**
Lease liabilities (undiscounted contractual cash flows)	1,666	1,336	3,962	6,943	**13,907**
Operating leases	161	74	42	-	**277**
	17,022	**2,299**	**4,520**	**6,943**	**30,784**

The Corporation does not have any off consolidated statements of financial position arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges. The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2021. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2021	November 30, 2020
	$	$
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**1,131**	1,680
Gold forward contracts	**(14)**	19
Interest rate swaps	**(58)**	(130)
Net unrealized gains (losses) of derivative instruments	**1,059**	1,569
Tax effect	**(265)**	(392)
Included in accumulated other comprehensive income (loss)	**794**	1,177

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive loss and accounts payable and accrued liabilities as at November 30, 2021 and 2020. The table below summarizes the Corporation's interest rate swaps:

				Unrealized loss	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2021**	November 30, 2020
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	LIBOR rate plus 215 basis points	3.35%	**($7)**	($21)
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	LIBOR rate plus 215 basis points	4.96%	**($27)**	($60)
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	LIBOR rate plus 215 basis points	5.08%	**($24)**	($49)
				($58)	($130)

ADDITIONS TO PLANT AND EQUIPMENT

	Year-to-Date	
	2021	2020
	$	$
Additions to plant and equipment	**2,900**	3,219

In 2021, the Corporation invested $2,900 in net capital expenditures which consisted of purchases of hybrid laser system and laser head, Via Fill process equipment, electrical test flying probe, Avertek line, MECetchBOND equipment, as well as replacement of the DES line and modifications to the Wet Lab. Capital expenditures were primarily in support of the Circuits segment, and in improving the efficiency of the Circuits Chatsworth facility in particular.

In 2020, the Corporation invested $3,219 in net capital expenditures which consisted of additions to deburring line and etchboard line, purchase of sprint machines, multiline machine, spectrometer, planarizer and various upgrades to machinery and equipment and leasehold improvements at its existing facilities. The Corporation also invested in an automated, highly secure system to ensure that critical Information Technology data and software is backed up and retrievable.

CASH FLOW

	Year-to-Date			
	2021	2020	Change	Change
	$	$	$	%
Operating activities	**7,634**	15,779	(8,145)	(51.6)
Investing activities	**(2,950)**	(2,867)	(83)	2.9
Financing activities	**(2,697)**	(1,167)	(1,530)	131.1
Free cash flow	**2,901**	11,067	(8,166)	(73.8)

Cash flow from operations during 2021 decreased from 2020 as 2021 included a non-cash positive earnings adjustment of $3.0M related to PPP Loans forgiven. In the prior year period, cash flow from operating activities included a non-cash expense of $1.1M related to impairment of intangible assets.

Investing activities in fiscal 2021 primarily included $2,900 for capital expenditures (2020 – $3,219). Investing activities included proceeds from disposal of plant and equipment of $324 in fiscal 2020 while none in fiscal 2021

Cash used by financing activities in 2021 included $914 towards repayments of bank debt (2020 – $2,056) and $1,783 towards lease liability payments (2020 – $1,845). In addition, 2020 included cash proceeds of $3.3M from the PPP Loans.

Free cash flow in 2021 has an unfavourable variance of approximately $8.2M as compared to 2020. Contributors to the variance include lower cash flow from operations, partially mitigated by less cash used for capital equipment.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended November 30, 2021 and 2020, except as disclosed in *Note 17* to the consolidated financial statements as at November 30, 2021.

FINANCIAL RISK MANAGEMENT

Disclosures regarding the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk and how the Corporation manages those risks can be found under the heading "Financial Instruments" in *Note 17* of the consolidated financial statements as at November 30, 2021 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which authorized is a series of convertible preference shares, Series. The outstanding common shares at the year ended November 30, 2021 were 24,491,201 (2020 – 24,491,201).

During the year ended November 30, 2021, the Corporation granted 98,000 PSUs (2020 – 100,000), of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

As at November 30, 2021, nil of the 182,333 outstanding PSU's had vested (2020 – nil out of 108,750).

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 9, 2022 which is available on SEDAR at www.sedar.com.

In March 2020, the World Health Organization characterized the COVID-19 as a global pandemic and extraordinary actions have been taken by international, federal, state and provincial governmental authorities to contain and combat the spread of COVID-19 in regions throughout the world. The COVID-19 outbreak and related public health measures, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, consumers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on the Corporation's customers and its sales cycles, impact on critical suppliers, and impact on the Corporation's employees.

The economic downturn and uncertainty caused by the COVID-19 outbreak and measures undertaken to contain its spread continue to negatively affect all of the Corporation's operations to some extent and, in particular, and has caused volatility in demand for the Corporation's products and services targeted to the commercial aerospace market. The Corporation continues to evaluate the current and potential impact of the COVID-19 outbreak on its business, results of operations and interim condensed consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting year. It also requires management to exercise judgement in applying the Corporation's accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation.

The areas involving a higher degree of judgement or complexity, and or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Expected credit losses

Accounts receivable are stated after evaluation as to their collectability and an appropriate provision for expected credit losses to be incurred is made, where considered necessary.

Allowance for inventory obsolescence

Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgements that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

Taxes and deferred taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. These balances are subject to audit by taxation authorities and as a result, maybe adjusted at some future date. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Useful lives of plant and equipment

The Corporation estimates the useful lives of plant and equipment based on the period over which the assets are expected to be available for use. In addition, the estimation of the useful lives of plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the plant and equipment would decrease the recorded expenses and increase the non-current assets.

Impairment and valuation of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As part of acquisitions (if any), the Corporation may acquire product designs, process know-how and customer contracts. An intangible asset is recorded in the consolidated statements of financial position with respect to these assets. This asset is valued at fair value based on the present value of expected future cash flows. As actual valuation may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

Warranties

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37.

ETHICAL BUSINESS CONDUCT

The Corporation has a written code of conduct for Directors, Officers and employees (the "Policy of Business Conduct") and a "Whistle Blowing Policy", which are each available on www.sedar.com. The Board monitors compliance with the Policy of Business Conduct through an annual review and sign off procedure from all of its Directors, Officers and employees.

OUTLOOK

The world economy and the outlook for the commercial Aerospace industry is recovering from the COVID-19 pandemic as vaccinations ramp up globally and as the world learns to coexist with the COVID-19 virus, including its existing variants. Looking forward, widespread vaccines are expected to continue to reduce the number of severe cases of COVID-19 and reduce restrictions on air travel. This could be offset by the spread of new variants of the virus that are more easily transmissible that might or might not be controlled by existing vaccines.

On a global scale, the airline industry was dramatically weakened in 2020 with significant drops in passenger travel. The full recovery of such travel, particularly international travel, is not expected to take place in the short-run.

Specifically at FTG, the COVID-19 pandemic had caused production disruptions at all sites at various points in time. We have had some plants shut down for periods of time due to government restrictions, restricted operations, suppliers with restricted operations and several employees absent due to contracting the virus or having close contact with others who tested positive for the virus. We have made efforts within all of our facilities to protect our employees through physical distancing, wearing masks, enhanced cleaning and other actions to minimize their exposure to the virus.

In commercial Air Transport, the pandemic hurt demand. Airbus reduced shipments by 35% in 2020 compared to 2019. In 2021, Airbus shipments rose 8% compared to 2020 but remained 29% below 2019 levels. Their order backlog remains high at over 7,000 aircraft and they are forecasting production increases in 2022. Boeing has also been hurt by the pandemic but also by their challenges with the B737 aircraft. Although the B737 is now flying again in the U.S., Canada and Europe, there are many aircraft already built that need to be delivered before significant production will resume. Meaningful production of B737 aircraft will resume in 2022. At the airline level, domestic travel is recovering faster than international travel and this is driving an expected ramp up of single aisle aircraft demand ahead of long-haul, twin aisle aircraft.

The business jet market also saw reduced demand due to the pandemic. Business jet activity has recovered rapidly and is now near pre-pandemic levels. In Canada, Bombardier has divested programs and repositioned itself as a pure-play business jet manufacturer. FTG continues to maintain a solid relationship with Bombardier.

The helicopter market was less impacted by the pandemic. Production rates are being impacted by the overall economic conditions and key industries that are heavy users of helicopters, such as resource extraction and public safety.

The defense market has not been significantly impacted by the COVID-19 pandemic as of the date of this MD&A.

There are many other economic factors, outside the aerospace and defense market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar is one such factor as about 50-

60% of FTG's operations are located in Canada but FTG competes primarily in U.S. dollars. Strengthening of the Canadian dollar would hurt FTG's competitiveness whereas a weakening of the Canadian dollar would enhance FTG's competitiveness.

CONTROLS AND PROCEDURE

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992. In May 2013, COSO released an updated version of the 1992 internal control integrated framework. The Corporation is in the process adopting the new framework.

Disclosure controls and procedures

An evaluation of the design of and operating effectiveness of the Corporation's disclosure controls and procedures was conducted as of November 30, 2019 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Corporation and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal control over financial reporting

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Corporation, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Management, including the CEO and CFO, does not expect that the Corporation's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

The CEO and CFO have, using the framework and criteria established by COSO, evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting and concluded that, as of November 30, 2021, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

During the fourth quarter ended November 30, 2021, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Caution Regarding Forward-Looking Statements

Certain statements in this MD&A other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of FTG. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of FTG, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “considers”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. Forward-looking statements are provided for the purpose of conveying information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including FTG’s perception of historical trends, current conditions and expected future developments as well as other factors FTG believes are appropriate in the circumstances.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG’s control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; risk of security breaches or disruptions of information technology systems; compliance with environmental laws; possibility of damage to manufacturing facilities as a result of unforeseeable events, such as natural disasters or fires; fluctuations in operating results; effect of climate change on FTG’s business and the industry as a whole; possibility of intellectual property infringement claims; demand for the products of FTG’s customers; ability to obtain continued debt and equity financing on acceptable terms; ability of a significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Common Shares and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; and government regulation and legislation and FTG’s ability to successfully anticipate and manage the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of FTG’s forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, FTG undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to gross margin which represents net sales less cost of sales and expenses. Not included in the calculation of gross margin are selling, administrative and general expenses, research and development costs and recoveries, foreign exchange, gains or losses on the sale of assets, interest and income taxes. Gross margin is not generally accepted earnings measures and should not be considered as an alternative to net earnings or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Corporation's gross margin may not be directly comparable with similarly titled measures used by other companies. Management believes the gross margin measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of February 9, 2022 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 9, 2022 which is available on SEDAR at www.sedar.com.

AUDITED ANNUAL FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Firan Technology Group Corporation are the responsibility of management and have been reviewed by the Board of Directors of Firan Technology Group Corporation. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgements. Management has also prepared financial and all other information in the Annual Report and has ensured that this information is consistent with the consolidated financial statements.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of consolidated financial statements.

The Board of Directors of Firan Technology Group Corporation ensure that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The committee meets with the auditors to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters.

The consolidated financial statements for fiscal 2021 have been independently audited by MNP LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.

Bradley C. Bourne	James Crichton
President and Chief Executive Officer	Vice President, Chief Financial Officer and Corporate Secretary
February 9, 2022	February 9, 2022

Independent Auditor's Report

To the Shareholders of Firan Technology Group Corporation:

Opinion

We have audited the consolidated financial statements of Firan Technology Group Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financials position as at November 30, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory Obsolescence – Note 5 of the Consolidated Financial Statements

Key Audit Matter Description

Inventory comprises raw materials, work-in-process and finished goods and is carried at the lower of cost and net realizable value. Finished goods inventory is specialized and cannot be resold to another customer in most cases. In estimating net realizable value, the Company gathers data related to fluctuations in inventory levels, planned production, obsolescence, future selling prices and costs to sell. As a result of management's analysis, the Company recorded an inventory obsolescence adjustment of $1,692 (thousands of dollars). Due to the level of estimation involved in determining the inventory obsolescence adjustment, we have determined that inventory obsolescence is a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to Inventory Obsolescence. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Company's controls and tested the design and implementation of those controls, including those related to management's process for developing the estimates used in the determination of net realizable value and the inventory obsolescence adjustment.
- Performed a retrospective review on the prior year's inventory write off and compared it to current year activity to evaluate management's ability to accurately estimate the net realizable value.
- Recalculated specific selling prices and costs to sell of items to audit the accuracy of the reserve.
- Compared changes in the reserve for unusual trends.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John Muffolini.

MNP LLP

Toronto, Canada
February 9, 2022

Chartered Professional Accountants
Licensed Public Accountants

MNP

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)		**November 30, 2021**		November 30, 2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**20,196**	$	19,032
Accounts receivable *(Note 16.3)*		**16,014**		16,795
Contract assets		**818**		985
Inventories *(Note 5)*		**16,953**		19,304
Income tax recoverable *(Note 13)*		**1**		-
Prepaid expenses and other		**3,162**		3,363
		57,144		59,479
Non-current assets				
Plant and equipment, net *(Note 6)*		**11,078**		12,640
Right-of-use assets *(Note 8)*		**10,098**		12,130
Investment tax credits recoverable *(Note 12.2)*		**327**		1,359
Intangible and other assets, net *(Note 7)*		**805**		1,068
Total assets	**$**	**79,452**	$	86,676
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**13,803**	$	13,904
Provisions *(Note 10)*		**545**		885
Contract liabilities		**335**		388
Current portion of bank debt *(Note 9)*		**935**		2,931
Current portion of lease liabilities *(Note 8)*		**1,553**		1,810
Income tax payable *(Note 13)*		**-**		155
		17,171		20,073
Non-current liabilities				
Bank debt *(Note 9)*		**1,327**		3,464
Lease liabilities *(Note 8)*		**9,123**		10,659
Deferred tax liability *(Note 13.1)*		**789**		1,192
Total liabilities		**28,410**		35,388
Equity				
Retained earnings	**$**	**19,391**	$	19,135
Accumulated other comprehensive income		**478**		958
		19,869		20,093
Share capital				
Common Shares *(Note 11.1)*		**21,881**		21,881
Contributed surplus *(Note 11.4)*		**8,352**		8,303
Total equity attributable to FTG's shareholders		**50,102**		50,277
Non-controlling interest		**940**		1,011
Total equity		**51,042**		51,288
Total liabilities and equity	**$**	**79,452**	$	86,676

See accompanying notes.

Approved on behalf of the board:

Director

Edward Hanna

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended November 30, 2021	November 30, 2020
Sales	**$ 79,365**	$ 102,435
Cost of sales		
Cost of sales *(Note 5, Note 18)*	**56,494**	70,307
Depreciation of plant and equipment *(Note 6)*	**4,250**	4,146
Depreciation of right-of-use assets *(Note 8)*	**1,488**	1,563
Total cost of sales	**62,232**	76,016
Gross margin	**17,133**	26,419
Expenses		
Selling, general and administrative *(Note 18)*	**10,950**	13,286
Research and development costs *(Note 12.1)*	**5,351**	5,284
Recovery of investment tax credits *(Note 12.2)*	**(536)**	(735)
Depreciation of plant and equipment *(Note 6)*	**243**	221
Depreciation of right-of-use assets *(Note 8)*	**68**	52
Amortization of intangible assets *(Note 7)*	**240**	581
Interest expense on bank debt, net *(Note 9.1)*	**92**	211
Accretion on lease liabilities *(Note 8)*	**490**	556
Stock based compensation *(Note 11.3)*	**66**	130
Foreign exchange loss *(Note 15)*	**595**	1,042
Forgiveness of debt *(Note 9.2)*	**(3,004)**	-
Impairment of intangible assets *(Note 7.2)*	**-**	1,145
Total expenses	**14,555**	21,773
Earnings before income taxes	**2,578**	4,646
Current income tax expense *(Note 13.2)*	**2,684**	3,715
Deferred income tax recovery *(Note 13)*	**(276)**	(331)
Total income tax expense	**2,408**	3,384
Net earnings	**$ 170**	$ 1,262
Attributable to:		
Non-controlling interest	**$ (86)**	$ (128)
Equity holders of FTG	**$ 256**	$ 1,390
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 11.5)*	**$ 0.01**	$ 0.06
Diluted *(Note 11.5)*	**$ 0.01**	$ 0.06

See accompanying notes.

Consolidated Statements of Comprehensive Income

	Years ended	
(in thousands of Canadian dollars)	**November 30, 2021**	November 30, 2020
Net earnings	**$ 170**	$ 1,262
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	**(84)**	(296)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 15)*	**(508)**	3,803
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	**127**	(950)
	(465)	2,557
Total comprehensive income (loss)	**$ (295)**	$ 3,819
Attributable to:		
Equity holders of FTG	**$ (127)**	$ 3,902
Non-controlling interest	**$ (168)**	$ (83)

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Year ended November 30, 2021 and 2020	Attributed to the equity holders of FTG							
(in thousands of Canadian dollars)	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity
Balance, November 30, 2019	$ 19,323	$ 2,218	$ 17,745	$ 8,933	$ (1,554)	$ 46,665	$ 1,094	$ 47,759
Net earnings (loss)	-	-	1,390	-	-	1,390	(128)	1,262
Stock-based compensation	-	-	-	130	-	130	-	130
Transfer from contributed surplus to share capital for PSU's exercised	760			(760)	-	-	-	-
Common shares repurchase and issue on exercise of PSU's	(420)	-	-	-	-	(420)	-	(420)
Common shares issued on exercise of option to convert Preferred shares into Common shares	2,218	(2,218)	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	2,512	2,512	45	2,557
Balance, November 30, 2020	**$ 21,881**	**$ -**	**$ 19,135**	**$ 8,303**	**$ 958**	**$ 50,277**	**$ 1,011**	**$ 51,288**
Net earnings (loss)	-	-	**256**	-	-	**256**	**(86)**	**170**
PSU's granted	-	-	-	**49**	-	**49**	-	**49**
Other comprehensive income (loss)	-	-	-	-	**(480)**	**(480)**	**15**	**(465)**
Balance, November 30, 2021	**$ 21,881**	**$ -**	**$ 19,391**	**$ 8,352**	**$ 478**	**$ 50,102**	**$ 940**	**$ 51,042**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended **November 30, 2021**		November 30, 2020	
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	**$**	**170**	$	1,262
Items not affecting cash and cash equivalents:				
Stock-based compensation *(Note 11.3)*		**66**		130
Conversion of preferred shares *(Note 11.2)*		**-**		155
Gain on disposal of plant and equipment *(Note 6)*		**(252)**		(302)
Effect of exchange rates on U.S. dollar bank debt		**(133)**		(292)
Depreciation of plant and equipment *(Note 6)*		**4,493**		4,367
Depreciation of right-of-use assets *(Note 8)*		**1,556**		1,615
Amortization of intangible assets *(Note 7)*		**240**		581
Amortization, other		**43**		45
Impairment of intangible assets *(Note 7)*		**-**		1,145
Investment tax credits/deferred income taxes *(Note 12.2, Note 13)*		**773**		2,295
Accretion on lease liabilities *(Note 8)*		**490**		556
Forgiveness of debt *(Note 9.2)*		**(3,004)**		-
Net change in non-cash operating working capital *(Note 14)*		**3,192**		4,222
		7,634		15,779
Investing activities				
Additions to plant and equipment *(Note 6)*		**(2,900)**		(3,219)
Recovery of contract and other costs		**15**		56
Additions to deferred financing costs *(Note 9.1)*		**(65)**		(28)
Proceeds from disposal of plant and equipment *(Note 6)*		**-**		324
		(2,950)		(2,867)
Net cash flow from operating and investing activities		**4,684**		12,912
Financing activities				
Proceeds from bank debt *(Note 9.2)*		**-**		3,309
Repayments of bank debt		**(914)**		(2,056)
Lease liability payments *(Note 8)*		**(1,783)**		(1,845)
Repurchase of common shares on exercise of PSU's *(Note 11.1)*		**-**		(420)
Payment of conversion of preferred shares *(Note 11.2)*		**-**		(155)
		(2,697)		(1,167)
Effects of foreign exchange rate changes on cash flow		**(823)**		(360)
Net increase in cash flow		**1,164**		11,385
Cash and cash equivalents, beginning of the period		**19,032**		7,647
Cash and cash equivalents, end of period	**$**	**20,196**	$	19,032
Disclosure of cash payments				
Payment for interest	**$**	**128**	$	197
Payments for income taxes	**$**	**1,235**	$	1,779

See accompanying notes.

1. NATURE OF OPERATIONS

Firan Technology Group Corporation ("FTG") was formed as a result of the amalgamation between Circuit World Corporation and Firan Technology Group Inc. on August 30, 2003 pursuant to articles of amalgamation under the *Canada Business Corporations Act*. Prior to this, FTG was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. FTG, its subsidiaries and its joint venture (together referred to as the "Corporation" or the "Group") are primarily suppliers of aerospace and defence electronic products and sub-systems.

The address of the Corporation's registered office is 250 Finchdene Square, Toronto, Ontario, M1X 1A5.

The Corporation has two wholly owned subsidiaries:

- Firan Technology Group (USA) Corporation, which in turn owns 100% of the voting securities of FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc.,
- Firan Technology Group (Barbados) 1 Corporation, which in turn owns 100% of the voting securities of Firan Technology Group (Barbados) 2 Corporation, which in turn owns 100% of the voting securities of FTG Aerospace Tianjin Inc.

The subsidiaries were incorporated as follows:

- Firan Technology Group (USA) Corporation was incorporated in the State of California, U.S.A.
- FTG Circuits Inc. was incorporated in the State of California, U.S.A.
- FTG Aerospace Inc. was incorporated in the State of California, U.S.A.
- FTG Circuits Fredericksburg Inc. was incorporated in the State of Virginia, U.S.A.
- Firan Technology Group (Barbados) 1 Corporation was incorporated in Barbados.
- Firan Technology Group (Barbados) 2 Corporation was incorporated in Barbados.
- FTG Aerospace Tianjin Inc. was incorporated in the Province of Tianjin, People's Republic of China.

In May 2013, the Corporation entered into a joint venture agreement with Tianjin Printronics Circuit Corp. ("TPC"), a Chinese printed circuit board manufacturing company, pursuant to which a joint venture entity, FTG Printronics Circuit Ltd ("JV"), was incorporated in the Province of Tianjin, the People's Republic of China. The Corporation holds a 60% equity interest in the JV. The joint venture agreement did not constitute a joint arrangement for accounting purposes. This arrangement gives rise to the non-controlling interest as segregated in the consolidated financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on February 9, 2022.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at their fair value through net earnings and other comprehensive income (loss) ("OCI"). These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of the Corporation's assets and settlement of liabilities as they come due in the normal course of business.

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. Each of the Corporation's wholly owned subsidiaries determines its own functional currency and translates into the Corporation's presentation currency in accordance with the Corporation's foreign currency translation policy.

- Firan Technology Group (USA) Corporation's functional currency is the United States dollar ("USD").

- FTG Aerospace Tianjin Inc.'s and the JV's functional currency is the Chinese Renminbi ("RMB").

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand dollars except for per share amounts and number of shares or where otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to the years presented in these consolidated financial statements and have been applied consistently by the Group, unless otherwise noted.

Certain comparative figures have been reclassified to conform to the current year's presentation. These changes have no impact on prior year earnings.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2021 and 2020. The Corporation controls the JV and its results were consolidated in the consolidated financial statements.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Corporation's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full upon consolidation. For any new acquisitions, the results of operations are reflected from the date of acquisition.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.2 Foreign currency translation

Transactions denominated in foreign currencies are translated into the appropriate functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are translated at the exchange rates at the statements of financial position date. Exchange gains and losses on translation or settlement are recognized in earnings or loss for the current year.

The financial results of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for each month except for significant individual transactions, which are translated at the rate of exchange in effect at the transaction dates. All assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the rate of exchange prevalent at the reporting dates. Differences arising on translation of transactions are recognized as foreign currency translation adjustments ("FCTA") and are included in other comprehensive income (loss). On disposal of part or all of the foreign operations, the proportionate share of the related cumulative gains and losses previously recognized as FCTA through the consolidated statement of earnings are included in determining the profit or loss on disposal of those operations recognized in earnings or loss.

3.3 Revenue recognition

The Corporation derives its revenue from the sale of manufactured printed circuit boards, illuminated cockpit display panels and keyboards, and design and development related engineering services to customers. For manufacturing, the Corporation uses customer supplied or internally developed engineering, specifications and design plans, whereas for engineering services, the Corporation develops engineering and design plans to customers' specifications. The sales cycle can vary between a few days to multiple months. The Corporation's revenue recognition methodology is determined on a contract-by-contract basis under IFRS 15 *Revenue from Contracts with Customers*.

Step in model	**Revenue from sale of products**	**Revenue from engineering services**
Identify the contract	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.
Identify distinct performance obligations	Contracts may include multiple performance obligations.	Contract may include multiple performance obligations.
Estimate transaction price	Fixed price is established in contracts with variability associated with price escalation/incentive features.	Fixed price established in contract. Change orders due to changes in scope or unexpected costs are accounted for as contract modifications prospectively.
Allocate transaction price to performance obligations	Total revenue is allocated to performance obligations based on their relative stand-alone selling price.	The transaction price is clearly identified in the contract and is allocated to each performance obligation based on the relative fair value of products and services rendered.
Recognize revenue as Performance obligations are satisfied	Revenue for performance obligations related to delivery of product is recognized at a point in time once control passes to the customer (defined by contractual terms). Revenue for performance obligations related to providing support services is recognized over the term of the service.	Revenue is recognized over time, as the work performed enhances assets controlled by the customer. Progress towards completion is based on costs incurred as a percentage of total expected costs to complete the project.

Performance Obligation

A performance obligation is a contractual promise with a customer to transfer a distinct good or service and is the unit of account for revenue recognition.

Transfer of control of delivered products is determined when title is transferred as per the individual contract terms. The Corporation accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection is probable. Contracts that do not meet the criteria for over time recognition are recognized at a point in time.

The Corporation recognizes revenue over time using the input method, which recognizes revenue as performance of the contract progresses. Input methods recognize revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The estimation of revenue and costs-to-complete is complex, subject to variables and requires significant judgement. The contract value may include fixed amounts, variable amounts or both.

Other Considerations

- The sale of consignment products is recognized on notification that the product has been used, at which point the performance obligation associated with those products is considered to be satisfied and control of the goods is transferred to the customer.

- The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- The Corporation estimates variable consideration at the most likely amount to which the Corporation expects to be entitled. The estimated variable amount is included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimation of variable consideration is largely based on assessment of the Corporation's historical, current and forecasted information that is reasonably available.

- The Corporation does not have contracts with any significant financing components.

Contract balances (related to revenue from engineering services)

Contract assets include unbilled amounts typically resulting from sales under long-term contracts when over time method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current.

Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. Contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when revenue is expected to be recognized.

The Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 20 on segmental information for the disclosure on disaggregated revenue.

3.4 Segment reporting

Management has determined the operating segments are based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision makers. The Corporation evaluates the financial performance of its operating segments primarily based on earnings before interest and income taxes.

3.5 Government assistance and loans

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the consolidated statement of earnings as determined by the terms and conditions of the agreement under which the assistance is provided.

Government grants are recognized at their fair value in the year when there is reasonable assurance that the conditions attached to the grant will be met and that the grant will be received. Grants are recognized as income over the year necessary to match them with the related costs that they are intended to compensate. Grants related to expenditure on plant and equipment and on intangible assets are deducted from the carrying amount of the asset, and are recognized as income over the life of the depreciable asset. Repayable grants and interest-bearing loans are treated as sources of financing and are recognized as borrowings on the consolidated statements of financial position. Forgiveness of loans is recognized upon legal notice from the lender.

3.6 Inventories

Inventories are measured at the lower of cost and net realizable value ("NRV"). Cost is determined on the first-in, first-out basis. Direct labour and an allocation of fixed and variable overheads are included in the determination of work-in-progress and finished goods amounts. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. Inventories are written down to NRV at the time carrying value exceeds the NRV. Reversals of previous write-downs to NRV are recognized when there is a subsequent increase in the value of inventories.

3.7 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, net of related government grants, where applicable. All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date that assets are available for use as intended by management. Leasehold improvements are depreciated over the shorter of the term of the related lease or their remaining useful life on a straight-line basis.

The useful lives applicable to each class of asset during the current and comparative year are as follows:

Assets	**in years**
Machinery and equipment	3 – 10
Furniture and fixtures	5
Leasehold improvements	term of lease

3.8 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Corporation. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The Corporation's intangible assets comprise strategic customer relationships acquired in business combinations and the cost of registering trademarks. These relationships and trademarks are considered to have finite useful lives and are amortized on a straight-line basis over their useful life of 5 to 10 years. The amortization period and the amortization method are reviewed at least annually.

3.9 Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Corporation estimates the asset's recoverable amount. If it is not possible to determine the recoverable amount of the individual asset, the Corporation determines the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use, where value in use is the present value of the future cash flows expected to be derived from the asset or the CGU. Where the carrying amount of the asset or the CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. The Corporation evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

3.10 Income taxes

Taxation charge for the year comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that they will be able to be utilized against future taxable income.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probably that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation has both the right and the intention to settle its assets and liabilities on a net or simultaneous basis.

3.11 Research and development

All research costs are recognized in profit and loss as they are incurred. Development costs are expensed as incurred unless they meet the criteria to be recognized as internally generated intangible assets in accordance with the guidance in IAS 38, *Intangible Assets*. Development expenditures, on an individual project, are recognized as an intangible asset only when the following conditions are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Corporation's intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

3.12 Financial instruments

The Corporation recognizes financial assets and financial liabilities ("financial instruments") on the date the Corporation becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation's financial instruments include cash and cash equivalents, accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, bank debt, and other non-derivative and derivative financial assets and liabilities.

The classifications of financial instruments are typically determined at the time of initial recognition and are recognized at fair value, plus attributable transaction costs where applicable. Subsequent to initial recognition, financial instruments are classified and measured as described below.

Financial instruments at fair value through profit or loss

Cash and cash equivalents, and derivatives instruments (that are not part of an effective and designated hedging relationship) are classified as financial instruments at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of earnings. Cash equivalents are short-term investments with initial maturities of three months or less. Transaction costs incurred to acquire financial instruments are expensed in the period incurred.

Financial instruments at fair value through other comprehensive income

The Corporation manages its foreign currency and interest rate exposures through the use of derivative financial instruments. The Corporation's policy is not to utilize derivative instruments for trading or speculative purposes. The Corporation's derivative instruments that are part of an effective and designated hedging relationship are presented on the consolidated statements of financial position as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The unrealized gains or losses related to changes in fair value are reported in other comprehensive income (loss). Amounts recognized as other comprehensive income (loss) are transferred to the consolidated statements of earnings when the hedged transaction is realized/settled.

Financial instruments carried at amortized cost

Financial instruments in this category include accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, and bank debt. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs.

Impairment

The expected credit loss impairment model applies to financial assets carried at amortized cost. The model uses a dual measurement approach, under which the loss allowance is measured as either twelve month expected credit losses or at the lifetime expected credit losses. The Corporation applies the simplified approach and records lifetime expected losses on accounts receivables and contract assets based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the financial assets. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of earnings.

3.13 Leases

At inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset. The Corporation assesses whether:

- the contract involves the use of an identified asset;
- it has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- it has the right to direct the use of the asset.

Lease accounting

The Corporation records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at costs, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located, less
- any lease incentives received.

The right-of-use asset is typically depreciated on a straight-line basis over the lease term, unless the Corporation expects to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where it is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where it is reasonably certain not to exercise the option.

If the Corporation expects to obtain ownership of the leased asset at the end of the lease, the right-of-use asset will be depreciated over the underlying asset's estimated useful life. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that is reasonably certain to be exercised, lease payments in an optional renewal period if they are reasonably certain to be exercised as an extension option, and penalties for early termination of a lease unless it is reasonably certain that the lease will not be terminated early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether or not the purchase, extension or termination option will be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

Variable lease payments

Certain leases contain provisions that result in differing lease payments over the term as a result of market rate reviews or changes in the Consumer Price Index (CPI) or other similar indices. The Corporation reassess the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payments.

Certain leases require us to make payments that relate to property taxes, insurance, and other non-rental costs. These non-rental costs are typically variable and not dependent on index and rate and are not included in the calculation of the right-of-use asset or lease liability.

Significant estimates and judgements

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. The lease term is estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise the termination option. Both qualitative and quantitative assumptions are considered when deriving the value of the economic incentive.

The Corporation makes judgments in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the Corporation with the right to substantially all of the economic benefits from the use of the asset.

Judgments are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Corporation would have to pay to borrow at a similar term and with a similar security.

Certain of the Corporation's leases contain extension or renewal options. At lease commencement, the Corporation assesses whether it will be reasonably certain to exercise any of the extension options based on its expected economic return from the lease. The Corporation periodically reassesses whether it will be reasonably certain to exercise the options and accounts for any changes at the date of the reassessment.

3.14 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation, where appropriate. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

3.15 Share capital

Common Shares and Preferred Shares are classified as equity. Transaction costs directly attributable to the issue of Common Shares are recognized as a deduction from equity, net of any income taxes.

3.16 Share based payments – share units

In April 2013, the shareholders of the Corporation approved the Share Unit Plan (the "Share Unit Plan").

The Share Unit Plan provides that the Corporate Governance / Compensation Committee may, in its sole and absolute discretion, award grants of performance share units ("PSUs") and restricted share units ("RSUs") and referred together with PSUs, as "Share Units", to any individual employed by the Corporation or any of the Corporation's subsidiaries, partnerships, trusts or other controlled entities (the "Participants").

A PSU is a right granted to a Participant in accordance with the Share Unit Plan to receive a Common Share that generally becomes vested subject to the attainment of certain performance conditions (including financial, personal, operational or transaction based performance criteria as may be determined by the Corporate Governance / Compensation Committee) ("Performance Conditions") and satisfaction of such other conditions to vesting, if any, as may be determined by the Corporate Governance / Compensation Committee. A RSU is a right granted to a Participant in accordance with the Share Unit Plan to receive a Common Share that generally becomes vested following a period of continuous employment of the Participant with the Corporation.

The vesting period of any grant shall be not later than December 15 of the third year following the year in which the Participant performed the services to which the grant relates, unless otherwise determined by the Corporate Governance / Compensation Committee.

The maximum number of Common Shares that may be issued pursuant to the Share Unit Plan is 1,780,320. No one Participant may receive any grant which, together with all grants then held by such Participant, would permit such Participant to be issued a number of Common Shares that is greater than 5% of the total outstanding Common Shares. The number of Common Shares issued to insiders of the Corporation within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the total outstanding Common Shares.

The cost recorded for equity-settled Share Units is based on the market value of the Corporation's Common Shares at the time of grant. The cost recorded for Share Units that vest based on a non-market performance condition is based on an estimate of the outcome of such performance condition. The cost of these Share Units would be adjusted as new facts and circumstances arise; the timing of these adjustments is subject to judgment. The adjustments to the cost of Share Units would generally be recorded during the last year of the three-year term based on management's estimate of the achievement of the performance conditions. The cost of Share Units is recognized as compensation expense in the consolidated statement of earnings, with a corresponding charge to contributed surplus in the consolidated statements of financial position, over the vesting period. These awards may be settled by issuing Common Shares from treasury or by purchasing from the open market.

3.17 Share based payments – Directors' Deferred Share Unit Plan

Effective November 1, 2021, non-management directors of the Corporation are entitled to the Directors' Deferred Share Unit ("DSUs") Plan. Under the DSU plan, 50% of a director's compensation are deposited to a book-entry notional account maintained by the Corporation. DSUs are granted to directors annually, typically on the last day of the quarter in which the annual meeting of the shareholders ("AGM") of the Corporation is held ("Grant Date"). The number of DSU's granted to a director equals the compensation deposited to the book-entry notional account in the 12 months prior to the AGM date divided by the Corporation's share price (average of high and low) on the Grant Date. The DSUs vest immediately upon grants.

DSUs are settled in cash no less than 3 months after the termination of a director. The cash payment equals the number of DSUs granted multiplied by the Corporations' share price (average of high and low) on the settlement date.

The Corporation accounts for the DSU plan as cash-settled share-based payment transactions. The cost of DSU is recognized as compensation expense in the consolidated statement of earnings, with a corresponding charge to accrued liabilities in the consolidated statements of financial position. Until the DSU is settled, the Corporation remeasures the fair value of the DSU liability at the end of each reporting period, which any changes in the fair value recognised as compensation expense.

3.18 Earnings per share ("EPS")

The Corporation presents basic and diluted earnings per share data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding and adjusting for the effects of all dilutive potential common shares.

3.19 Derivative financial instruments

The Corporation utilizes forward foreign exchange contracts to manage its foreign currency exposure on anticipated sales. The Corporation also utilizes gold forward contracts to manage its exposure on anticipated cost of sales. Derivative financial instruments are initially recognized at fair value (forward value at transaction date) on the date on which a derivative contract is entered into and are subsequently re-measured at fair value (forward current value). Derivatives are carried as financial assets (prepaid expenses and other) when the fair value is positive and as financial liabilities (accounts payable and accrued liabilities) when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the consolidated statements of earnings except for the effective portion of cash flow hedges, which are recognized in other comprehensive income (loss).

The Corporation designates certain derivative financial instruments as cash flow hedges. The application of hedge accounting enables the recording of gains, losses, revenue and expenses from hedging items in the same period as those related to the hedged item. At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess and measure the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which they were designated.

Hedge effectiveness is tested at each reporting date. Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Amounts recognized as other comprehensive income (loss) are transferred to the consolidated statements of earnings when the hedged transaction is realized/settled.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of earnings. Hedge accounting is discontinued prospectively when it is determined that the derivative is not effective as a hedge or the derivative is terminated or sold, or upon sale or early termination of the hedged item.

Derivative financial instruments which represent the Corporations hedging relationships have been recognized and measured under IAS 39 *Financial Instruments: Recognition and Measurement*, and not under IFRS 9 *Financial Instruments*. Management has chosen to continue assessing the effectiveness of its hedged relationships and measure these instruments under IAS 39 until the IASB completes its project on accounting for macro hedging project.

3.20 Business combinations

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition-related costs are expensed as incurred and included in selling, general and administrative expenses.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the consolidated statements of earnings. Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the consolidated statements of earnings if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

3.21 Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

4. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting year. It also requires management to exercise judgement in applying the Corporation's accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation.

The areas involving a higher degree of judgement or complexity, and or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Expected credit losses

Accounts receivable are stated after evaluation as to their collectability and an appropriate provision for expected credit losses to be incurred is made, where considered necessary.

Allowance for inventory obsolescence

Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgements that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

Taxes and deferred taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. These balances are subject to audit by taxation authorities and as a result, maybe adjusted at some future date. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Useful lives of plant and equipment

The Corporation estimates the useful lives of plant and equipment based on the period over which the assets are expected to be available for use. In addition, the estimation of the useful lives of plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the plant and equipment would decrease the recorded expenses and increase the non-current assets.

Impairment and valuation of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As part of acquisitions (if any), the Corporation may acquire product designs, process know-how and customer contracts. An intangible asset is recorded in the consolidated statements of financial position with respect to these assets. This asset is valued at fair value based on the present value of expected future cash flows. As actual valuation may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

Warranties

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37.

Business combinations

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition-related costs are expensed as incurred and included in selling, general and administrative expenses.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the consolidated statements of earnings. Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the consolidated statements of earnings if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

COVID-19

In March 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") as a global pandemic and extraordinary actions have been taken by international, federal, state and provincial governmental authorities to contain and combat the spread of COVID-19 in regions throughout the world. The COVID-19 outbreak and related public health measures, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, consumers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on the Corporation's customers and its sales cycles, and impact on the Corporation's employees.

The economic downturn and uncertainty caused by the COVID-19 outbreak and measures undertaken to contain its spread continue to negatively affect all of the Corporation's operations to some extent and, in particular, and has caused volatility in demand for the Corporation's products and services targeted to the commercial aerospace market. The Corporation continues to evaluate the current and potential impact of the COVID-19 outbreak on its business, results of operations and consolidated financial statements.

(in thousands of Canadian dollars, except where noted and per share amounts)

5. INVENTORIES

	November 30, 2021 $	November 30, 2020 $
Raw materials and spare parts	**6,233**	6,730
Work-in-progress	**7,139**	8,638
Finished goods	**3,581**	3,936
	16,953	19,304

The cost of inventories recognized as an expense during the year ended November 30, 2021 was $56,494 (2020 – $70,307). This amount also included $1,692 (2020 – $2,025) as cost of inventories written down due to obsolescence.

6. PLANT AND EQUIPMENT

	Machinery and equipment $	**Furniture and fixtures $**	**Leasehold improvements $**	**Total $**
Cost				
At December 1, 2019	47,274	432	6,028	53,734
Addition	3,093	8	118	3,219
Disposal and other	(400)	-	(15)	(415)
Foreign currency translation	(276)	(6)	(29)	(311)
At November 30, 2020	**49,691**	**434**	**6,102**	**56,227**
Additions	**2,690**	**-**	**210**	**2,900**
Disposal and other	**(999)**	**-**	**-**	**(999)**
Foreign currency translation	**(55)**	**(3)**	**(15)**	**(73)**
At November 30, 2021	**51,327**	**431**	**6,297**	**58,055**
Accumulated depreciation				
At December 1, 2019	35,771	385	3,748	39,904
Depreciation	3,725	33	609	4,367
Disposal and other	(390)	-	(5)	(395)
Foreign currency translation	(255)	(5)	(29)	(289)
At November 30, 2020	**38,851**	**413**	**4,323**	**43,587**
Depreciation	**3,885**	**13**	**595**	**4,493**
Disposal and other	**(982)**	**-**	**-**	**(982)**
Foreign currency translation	**(113)**	**(3)**	**(5)**	**(121)**
At November 30, 2021	**41,641**	**423**	**4,913**	**46,977**
Net book value				
At November 30, 2020	10,840	21	1,779	12,640
At November 30, 2021	**9,686**	**8**	**1,384**	**11,078**

Included in machinery and equipment as at November 30, 2021 are $433 (November 30, 2020 – $1,795) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

For the year ended November 30, 2021, the Corporation recorded a net gain on disposal of plant and equipment of $252 (2020 – $302) which primarily resulted from casualty insurance proceeds for replacement of certain plant and equipment impacted by a fire in the third quarter of fiscal 2020 at one of the operating divisions in the US. The facility has been fully operational and remediation has been completed.

(in thousands of Canadian dollars, except where noted and per share amounts)

All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets.

7. INTANGIBLE AND OTHER ASSETS, NET

7.1 Intangible and other assets, net

Intangible assets relate to the strategic customer relationships acquired and the cost of registering trademarks.

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Cost		
Balance, beginning of the year	**6,373**	6,520
Addition	**4**	-
Foreign currency translation	**(78)**	(147)
Balance, end of the year	**6,299**	6,373
Accumulated amortization		
Balance, beginning of the year	**5,798**	4,205
Amortization during the year	**240**	581
Impairment during the year *(Note 7.2)*	**-**	1,145
Foreign currency translation	**(66)**	(133)
Balance, end of the year	**5,972**	5,798
Net book value	**327**	575

Intangible assets have an unamortized remaining period of approximately three years as at November 30, 2021 (approximately one to four years as at November 30, 2020).

As at November 30, 2021, other assets include non-current value added taxes recoverable of $273 (2020 – $281) and deferred development costs of $205 (2020 – $212).

7.2 Impairment of intangible assets

In the first quarter of fiscal 2020, the Corporation had determined that the carrying value of intangible assets recognized following the acquisition of the Teledyne PCT business in July 2016, exceeded its recoverable amount as of February 28, 2020 by an amount of $1,145, which was charged as impairment of intangible assets in the consolidated statement of earnings during the first quarter of fiscal 2020. The recoverable amount was determined through a value in use analysis of the present value of the future cash flows to be derived from the relevant cash-generating unit.

(in thousands of Canadian dollars, except where noted and per share amounts)

8. LEASES

8.1 Right-of-use assets

	Buildings **$**	**Equipment** **$**	**Total** **$**
At December 1, 2019	13,671	93	13,764
Addition	-	89	89
Depreciation	(1,563)	(52)	(1,615)
Disposal	-	(8)	(8)
Foreign currency translation	(98)	(2)	(100)
At November 30, 2020	12,010	120	12,130
Addition	**-**	**32**	**32**
Depreciation	**(1,493)**	**(63)**	**(1,556)**
Disposal	**(444)**	**-**	**(444)**
Foreign currency translation	**(64)**	**-**	**(64)**
At November 30, 2021	**10,009**	**89**	**10,098**

8.2 Lease liabilities

The majority of the Corporation's leases relate to the rental of manufacturing facilities. The Corporation has included the renewal options in the measurement when it is reasonably certain to exercise the renewal option.

The following table presents a summary of the activity related to the Corporation's lease liabilities:

	Years ended	
	November 30, 2021 **$**	November 30, 2020 $
Balance, beginning of the year	**12,469**	13,764
Additions	**32**	89
Accretion on lease liabilities	**490**	556
Payments	**(1,783)**	(1,845)
Disposal	**(469)**	-
Foreign exchange and other	**(63)**	(95)
Balance, end of the year	**10,676**	12,469
Less: current portion	**(1,553)**	(1,810)
	9,123	10,659

Please refer to Note 16.4 for the contractual undiscounted cash flows for lease obligations.

Expenses for short-term leases and leases of low-dollar value items are not material. There are no variable lease payments which are not included in the measurement of lease obligations. All extension options have been considered in the measurement of lease obligations.

9. BANK DEBT

9.1 Bank debt

The Corporation has a committed revolving credit facility with a major financial institution consisting of a U.S. $10.0 million operating credit for working capital purposes and a U.S. $10.0 million term credit to fund capital expenditures. In July 2021, the Corporation amended the existing committed credit facility and extended its expiry to July 2026. The credit facility includes the following terms:

- U.S. $10,000 committed operating revolving loan facility ("Operating Loan Facility") by way of a combination of current account overdraft/bank loans, London Interbank Offered Rate loans ("LIBOR") or Banker's Acceptances ("BA") or letters of guarantee ("LG") subject to an overall maximum of US $10,000 or the Canadian dollar equivalent.
- U.S. $10,000 revolving loan facility ("Capital Loan Facility") to refinance new and used plant and equipment up to 90% of the invoice cost by way of a combination of bank loans, LIBOR's and or BA's.
- U.S. $72,000 foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of U.S. $24,000 or the Canadian dollar equivalent for up to twelve months, U.S. $24,000 or the Canadian dollar equivalent for up to twenty four months and U.S. $24,000 or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure *(Note 15)*.
- U.S. $2,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of U.S. $2,000 or the equivalent in major currencies with a maximum contract term of twenty four months, available to hedge risk on raw materials *(Note 15)*.
- U.S. $400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.
- U.S. $10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of U.S. $10,000 *(Note 15).*

In any event, all the advances are repayable under the lending facility still outstanding at the credit facility expiration date of July 2026. The lending facility is secured by a first charge on all assets of the Corporation.

The unamortized deferred financing charges of $65 as at November 30, 2021 (November 30, 2020 – $28) have been offset against bank debt in the consolidated statement of financial position.

As at November 30, 2021, the Corporation had entered into three (November 30, 2020 – three) interest rate swaps. The details and effects of the interest rate swaps are disclosed in *Note 15 – Interest rate swaps*.

The Corporation's credit facilities as described above are subject to certain covenants with which it was in full compliance as at November 30, 2021.

(in thousands of Canadian dollars, except where noted and per share amounts)

Bank debt, pursuant to the amended credit facility, consists of the following:

Loan description	Estimated monthly payment	Interest Rate	**November 30, 2021** USD	**November 30, 2021** $	November 30, 2020 USD	November 30, 2020 $
5.0 year US $2,600 term loan, amortized over 7 years	US$31 plus interest	LIBOR + 200 basis point	**701**	**896**	1,083	1,404
5.0 year US $1,500 term loan, amortized over 7 years	US$18 plus interest	LIBOR + 215 basis points	**643**	**822**	857	1,111
5.0 year US $1,000 term loan, amortized over 7 years	US$12 plus interest	LIBOR + 215 basis points	**476**	**609**	619	803

The Corporate has entered into interest rate swaps to hedge the USD interest payments for all the bank debts above (note 15).

9.2 Paycheck Protection Program Loans

In May 2020, the Corporations' US subsidiaries, FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc., closed on an unsecured bank debt guaranteed under the Paycheck Protection Program ("PPP") in the total amount of U.S. $2,369 or $3,309 ("PPP Loans") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of the U.S. Government. As at November 30, 2021, the PPP loans are fully forgiven.

	November 30, 2021 $	November 30, 2020 $
Balance, beginning of the year	**3,105**	-
PPP loans received	**-**	3,309
PPP loans forgiven	**(3,004)**	-
Foreign exchange impact and other	**(101)**	(204)
Ending balance	**-**	3,105
Less: current portion (amounts due within one year)	**-**	(1,989)
	-	1,116

10. PROVISIONS

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Product warranties		
Balance, beginning of the year	**834**	661
Arising during the year	**438**	402
Utilized during the year	**(717)**	(229)
Foreign exchange impact and other	**(10)**	-
Balance, end of the year	**545**	834

(in thousands of Canadian dollars, except where noted and per share amounts)

Employee termination		
Balance, beginning of the year	**51**	285
Arising during the year	**-**	257
Utilized during the year	**(51)**	(491)
Balance, end of the year	**-**	51
Total provisions	**545**	885

10.1 Product warranties

Product warranty provisions are recognised for expected warranty claims based on past experience of the level of repairs and returns and typically relates to products sold during the last two years. It is expected that most of these costs will be paid in the next financial year and all will have been paid within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one to two year warranty period for all products sold.

10.2 Employee termination

In fiscal 2020, employee termination provisions were recognized for certain post-employment costs for two senior employees.

11. SHARE CAPITAL

11.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, issuable in series, with the attributes of each series to be fixed by the Board of Directors. Each Common and Preferred Share carries the right to one vote. The following is a continuity of the changes in the number of Common shares for the year ended November 30, 2021 and November 30, 2020:

	November 30, 2021		November 30, 2020	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**24,491,201**	**21,881**	22,716,201	19,323
Transfer from contributed surplus to share capital for PSU's exercised	**-**	**-**	-	760
Common shares repurchase and issue on exercise of PSU's	**-**	**-**	-	(420)
Common shares issued on exercise of option to convert Preferred shares into Common shares	**-**	**-**	1,775,000	2,218
Outstanding, end of the year	**24,491,201**	**21,881**	24,491,201	21,881

11.2 Preferred shares issued and outstanding

In October 2020, 1,775,000 Preferred Shares, were converted into Common Shares on a one-for-one basis upon exercise of the convertible option by the preferred shareholder. Holder of Series 1 Preferred Shares was entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and was entitled to receive an amount equal to $2.50 per Series 1 Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares. As a result of the conversion, the Corporation has nil voting convertible Series 1 Preferred Shares outstanding as at November 30, 2021 (November 30, 2020 – nil). In connection with this transaction, the Board of Directors of the Corporation approved a payment of $155 to the holder of the Preferred Shares, who is a related party, for conversion of Preferred Shares, which has been expensed in the consolidated statements of earnings during fiscal 2020.

(in thousands of Canadian dollars, except where noted and per share amounts)

11.3 Stock-based compensation

The Corporation recorded the following stock-based compensation during the years ended:

	November 30, 2021 $	November 30, 2020 $
PSU – equity settled	**49**	130
DSU – cash settled	**17**	-
	66	130

Performance share units

The following is a continuity of the changes in the number of PSU's outstanding for the years ended November 30, 2021 and November 30, 2020:

	November 30, 2021		November 30, 2020	
	Number of PSU's	**Weighted average grant price**	Number of PSU's	Weighted average grant price
Outstanding, beginning of the year	**108,750**	**2.26**	206,944	4.00
Granted	**98,000**	**2.03**	100,000	2.15
Exercised	**-**	**-**	(184,444)	(4.12)
Forfeited	**(24,417)**	**(2.10)**	(13,750)	(2.66)
Outstanding, end of the year	**182,333**	**2.16**	108,750	2.26

During the year ended November 30, 2021, 100% of the PSU's granted were based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

(in thousands of Canadian dollars, except where noted and per share amounts)

PSU's outstanding as at November 30, 2021 and November 30, 2020 are as below:

November 30, 2021

Grant year	**Number of PSU's Outstanding**	**Grant price per PSU $**	**Vesting period**	**Expiry date**	**Remaining contractual life (years)**	**Number of PSU's vested/exercisable**
2019	**14,375**	**3.02**	**2019 – 2021**	**November 30, 2021**	**-**	**-**
2020	**80,208**	**2.15**	**2020 – 2022**	**November 30, 2022**	**1.0**	**-**
2021	**75,000**	**2.02**	**2021 – 2023**	**November 30, 2023**	**2.0**	**-**
2021	**12,750**	**2.10**	**2021 – 2023**	**November 30, 2023**	**2.0**	**-**
	182,333					**-**

November 30, 2020

Grant year	Number of PSU's Outstanding	Grant price per PSU $	Vesting period	Expiry date	Remaining contractual life (years)	Number of PSU's vested/exercisable
2019	14,375	3.02	2019 – 2021	November 30, 2021	1.0	-
2020	94,375	2.15	2020 – 2022	November 30, 2022	2.0	-
	108,750					-

Directors' Deferred share units

As at November 30, 2021, no DSU has been granted (2020 – no DSU outstanding). As at November 30, 2021, accounts payable and accrued liabilities included $17 of liability arising from the DSU plan (2020 - $nil).

11.4 Contributed surplus

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Balance, beginning of the year	**8,303**	8,933
PSU's granted	**49**	130
Transfer to share capital for PSU's exercised	**-**	(760)
Balance, end of the year	**8,352**	8,303

(in thousands of Canadian dollars, except where noted and per share amounts)

11.5 Earnings per share

	Years ended	
	November 30, 2021	November 30, 2020
Numerator		
Net earnings attributable to equity holders of FTG	**$ 256**	$ 1,390
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 256**	$ 1,390
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 256**	$ 1,390
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**24,491,201**	22,953,838
Effect of dilutive securities:		
Number of Preferred Shares	**-**	1,537,363
Number of PSU's	**165,938**	148,808
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,657,139**	24,640,009
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	**$ 0.01**	$ 0.06
Diluted earnings per share	**$ 0.01**	$ 0.06

The PSU's were included in calculating diluted earnings per share for the year ended November 30, 2021 and 2020 as the Corporation had net earnings. The convertible Series 1 Preferred Shares and PSU's were included in calculating diluted earnings per share for the year ended November 30, 2020 as the Corporation had net earnings.

11.6 Management of capital

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

For the purpose of the Corporation's capital management, capital includes bank debt and total equity attributable to FTG's shareholders. The Corporation's primary uses of capital are to finance increases in non-cash working capital, capital expenditures and acquisitions. The Corporation currently funds these requirements from internally generated cash flows, cash, and bank debt.

The Corporation's managed capital is as follows:

	November 30, 2021 $	November 30, 2020 $
Total equity attributable to FTG's shareholders	**50,102**	50,277
Bank debt	**2,262**	6,395
Managed capital	**52,364**	56,672

(in thousands of Canadian dollars, except where noted and per share amounts)

The Corporation manages its capital structure and makes adjustments to it as necessary, taking into account the economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, may increase or repay long-term debt, issue shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors review and approve any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. There were no changes in the Corporation's approach to capital management during the year.

The Corporation does not currently have a policy to pay a dividend. The credit facilities are secured by a first charge on all assets of the Corporation.

12. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

12.1 Research and Development Costs and Recoveries

Research and development costs include the cost of direct labour, materials and an allocation of overheads specifically incurred in activities regarding technical uncertainties in production processes, product development, product upgrading, waste reduction programs and energy reduction programs.

12.2 Investment Tax Credits Recoverable

The Corporation has, as at November 30, 2021, $327 (November 30, 2020 – $1,359) of Canadian investment tax credits ("ITCs") available to be applied against future taxes payable in Canada which are due to expire in 2041.

13. INCOME TAXES

The provision for income taxes included in the consolidated statement of earnings differs from the statutory income tax rate for the years ended November 30, 2021 and November 30, 2020 as follows:

	November 30, 2021 $	November 30, 2020 $
Accounting income before tax	**2,578**	4,646
Statutory tax rate	**25%**	25%
	645	1,161
Change in benefits not recognized	**1,202**	1,640
Loss expired in current year	**-**	293
Foreign tax rate differences	**258**	(77)
Permanent differences and differences between Canadian and foreign tax rates	**(11)**	204
Non-taxable forgiveness of debt	**(750)**	-
State income taxes	**-**	6
Change in tax rate	**913**	52
Book to filing adjustment and others	**151**	105
Income tax expense	**2,408**	3,384

(in thousands of Canadian dollars, except where noted and per share amounts)

13.1 Deferred Income Taxes

The gross movement on the net deferred income tax asset (liability) account is as follows:

	$	$
Opening balance, net	**(1,192)**	(573)
Recovered (charged) to earnings during the year	**276**	331
Recovered in other comprehensive income (loss) during the year	**127**	(950)
Closing balance, net	**(789)**	(1,192)

The movement in net deferred income tax assets/liabilities during the year ended November 30, 2021 is as follows:

	Balance as at December 1, 2020 $	**Recovered (charged) to earnings $**	**Charged to other comprehensive income $**	**Balance as at November 30, 2021 $**
Deferred income tax assets (liabilities), net:				
Tax losses carried forward	7,485	(84)	-	7,401
Deferred financing	(53)	2	-	(51)
Tax attributes - R&D Credits	724	199	-	923
Other temporary differences	570	915	127	1,612
Excess of unamortized intangibles for tax purposes over net book value	(135)	63	-	(72)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(678)	(122)	-	(800)
Right-of-use assets	(2,975)	598	-	(2,377)
Lease liabilities	3,059	(545)	-	2,514
Capital loss carryforward	-	2,488	-	2,488
Deferred income tax assets not recognized	(8,285)	(3,690)	-	(11,975)
Deferred tax payable on investment tax credit recoverable	(904)	452	-	(452)
	(1,192)	276	127	(789)

(in thousands of Canadian dollars, except where noted and per share amounts)

The movement in net deferred income tax assets/liabilities during November 30, 2020 is as follows:

	Balance as at December 1, 2020 $	Recovered (charged) to earnings $	Charged to other comprehensive income $	Balance as at November 30, 2021 $
Deferred income tax assets/liabilities, net:				
Tax losses carried forward	6,116	1,369	-	7,485
SR&ED deductible expenditures	(59)	6	-	(53)
Tax attributes - R&D Credits	600	124	-	724
Other temporary differences	1,311	209	(950)	570
Excess of unamortized intangibles for tax purposes over net book value	(444)	309	-	(135)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(285)	(393)	-	(678)
Lease liabilities	-	3,059	-	3,059
Right-of-use assets	-	(2,975)		(2,975)
Deferred income tax assets not recognized	(6,515)	(1,770)	-	(8,285)
Deferred tax payable on investment tax credit recoverable	(1,297)	393	-	(904)
	(573)	331	(950)	(1,192)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on future estimated profits.

The Corporation has the following loss carry-forwards:

Country	**Expiry**	**November 30, 2021**	November 30, 2020
United States	Between 2030 and 2038	**18,253**	18,500
United States	Do not expire	**13,719**	9,965
China	Between 2022 and 2026	**1,024**	808

As at November 30, 2021, the Corporation also has capital loss of $19,900 in Canada (2020 – $19,312) which do not expire. The capital losses can only be used to shelter income from capital gains.

As of November 30, 2021, no deferred tax asset has been recorded in respect of these losses.

(in thousands of Canadian dollars, except where noted and per share amounts)

13.2 Income tax expense, net

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Income tax expense/(recovery):		
Current tax expense – in earnings during the year	**2,684**	3,715
Deferred tax expense– in earnings during the year	**176**	62
Deferred tax (recovery) (ITCs) – charged to earnings during the year	**(452)**	(393)
Deferred tax expense (recovery) – in other comprehensive income (loss) during the year	**(127)**	950
	2,281	4,334

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The Corporation's consolidated effective tax rate for the year ended November 30, 2021 was 93.4% (2020 – 72.8%).

14. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

Changes in non-cash operating working capital comprise of the following:

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Accounts receivable and contract assets	**943**	3,781
Inventories	**2,323**	2,745
Prepaid expenses and other	**689**	1,258
Contract liabilities	**(47)**	172
Accounts payable and accrued liabilities, and provisions	**(436)**	(3,249)
Income tax payable	**(280)**	(485)
	3,192	4,222

15. FINANCIAL INSTRUMENTS

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments carried at fair value:

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at November 30, 2021 and November 30, 2020.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at November 30, 2021 and November 30, 2020.

(in thousands of Canadian dollars, except where noted and per share amounts)

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2021 and November 30, 2020.

There were no transfers between levels during the period. The estimated fair value amounts approximate the amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. For financial instruments that lack an available trading market, the Corporation applies present value and valuation techniques that use observable or unobservable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

Cash, accounts receivable, contract assets, accounts payable and accrued liabilities, and contract liabilities

The Corporation determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying value as at the consolidated statements of financial position dates because of the short-term maturity of those instruments.

Bank debt

The fair value of bank debt bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank’s prime rate.

Derivative Financial Instruments and Hedge Accounting

The fair value of the Corporation’s foreign exchange forward contracts, gold forward contracts, interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2021. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2021 $	November 30, 2020 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**1,131**	1,680
Gold forward contracts	**(14)**	19
Interest rate swaps	**(58)**	(130)
Net unrealized gains of derivative instruments	**1,059**	1,569
Tax effect	**(265)**	(392)
Included in accumulated other comprehensive income	**794**	1,177

(in thousands of Canadian dollars, except where noted and per share amounts)

a) Foreign exchange forward contracts

The Corporation has entered into foreign exchange forward contracts a financial institution to partially hedge future sales proceeds denominated in a foreign currency. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign exchange forward contracts, all of which have a maturity date of less than thirty six months as at November 30, 2021 and 2020:

As at	Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized gain
November 30, 2021	**USD**	**CAD**	**US$53,850**	**$70,368**	**$69,237**	**$1,131**
November 30, 2020	USD	CAD	US$54,000	$71,730	$70,050	$1,680

As at November 30, 2021 and 2020, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This net unrealized gain in other comprehensive income (loss) is expected to be realized through net earnings on the consolidated statements of earnings over the next thirty six months when the sales are recorded.

b) Gold forward contracts

As at November 30, 2021, the Corporation had an outstanding commitment to buy 600 ounces of gold (2020 – 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.29 per ounce (2020 – $2.28) expiring quarterly from December 2021. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized gain (loss)
November 30, 2021	**Gold forward contract**	**600 ounces**	**$1,376**	**$1,362**	**($14)**
November 30, 2020	Gold forward contracts	600 ounces	$1,366	$1,385	$19

As at November 30, 2021 and 2020, the gold forward contracts are designated as a cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This unrealized gain (loss) in other comprehensive income (loss) is expected to be reclassified to the consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at November 30, 2021 retained in other comprehensive income (loss) related to these contracts are expected to be recognized through net earnings on the consolidated statement of earnings in fiscals 2022, 2023 and 2024.

(in thousands of Canadian dollars, except where noted and per share amounts)

c) Interest rate swaps

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive income (loss) and accounts payable and accrued liabilities as at November 30, 2021 and November 30, 2020. The table below summarizes the Corporation's interest rate swaps:

				Unrealized loss	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2021**	November 30, 2020
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	LIBOR rate plus 215 basis points	3.35%	**($7)**	($21)
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	LIBOR rate plus 215 basis points	4.96%	**($27)**	($60)
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	LIBOR rate plus 215 basis points	5.08%	**($24)**	($49)
				($58)	($130)

16. FINANCIAL RISKS

16.1 Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk which include three (November 30, 2020 – three) interest rate swaps as at November 30, 2021.

Based on the value of interest bearing financial instruments for the year ended November 30, 2021, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $nil (year ended November 30, 2020 – decrease of $9), with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

16.2 Currency risk

Currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily in U.S. dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Corporation's bank debt and most of the manufacturing materials are sourced in U.S. dollars; and also a significant portion of the headcount and operations are in now located in United States, providing a natural economic hedge for a portion of the Corporation's currency risk.

In addition, net realized gain for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2021 of $1,250 (year ended November 30, 2020 – net realized loss of $1,082) was recorded in sales in the consolidated statements of earnings.

The foreign exchange exposure for the reporting periods, covering the period-end balances of financial assets during the periods presented that were denominated in U.S. dollars, is set out in the table below:

			November 30, 2021	November 30, 2020
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**4,599**	**549**	**5,148**	11,554
Accounts receivable	**7,609**	**4,038**	**11,647**	12,805
Accounts payable and accrued liabilities	**(2,498)**	**(4,505)**	**(7,003)**	(6,946)
Total bank debt	**(1,820)**	**-**	**(1,820)**	(4,954)
Consolidated statements of financial position exposure, excluding financial derivatives	**7,890**	**82**	**7,972**	12,459
Reporting date CAD:USD exchange rate			**1.2792**	1.2965

		Years ended		
			November 30, 2021	November 30, 2020
(In thousands of U.S. dollars)	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Net sales	**35,585**	**22,891**	**58,476**	74,716
Operating expenses	**(14,514)**	**(30,275)**	**(44,789)**	(47,696)
Net exposure	**21,071**	**(7,384)**	**13,687**	27,020

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the years ended November 30, 2021 and November 30, 2020 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

		Years ended		
			November 30, 2021	November 30, 2020
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of U.S. dollars)*	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Consolidated statements of financial position exposure, excluding financial derivatives	**(79)**	**(1)**	**(80)**	(124)
Net sales and operating expenses (net exposure)	**(211)**	**74**	**(137)**	(270)
Net exposure	**(290)**	**73**	**(217)**	(394)

The Corporation also holds RMB arising from its Circuits and Aerospace facilities in the People's Republic of China.

	November 30, 2021		November 30, 2020	
	RMB	**$**	RMB	$
Cash	**901**	**181**	1,070	211
Short-term deposit with a financial institution with maturity of less than 1 year	**4,078**	**819**	2,539	500
Balance sheet exposure	**4,979**	**1,000**	3,609	711

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the years ended November 30, 2021 would decrease by approximately $10 (November 30, 2020 – decrease by $7). An assumed 1% weakening of the Canadian dollar versus the USD would have had an equal but opposite effect on these amounts.

16.3 Credit risk

For the year ended November 30, 2021, the Corporation recorded a bad debts expense recovery of $957 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings (2020 – bad debts expense of $368). The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. The Corporation considers a receivable to be in default when contractual payments are 180 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. Please see note 20 for sales to the Company's largest customers. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

(in thousands of Canadian dollars, except where noted and per share amounts)

Historically, losses under trade receivables have been insignificant. To minimize the risk of loss from trade receivables, extension of credit terms to customers requires review and approval by senior management even though the customers have generally been dealing with the Corporation for several years, and the losses have been historically minimal.

Although the Corporation's credit control processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Corporation's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 90 days in accordance with industry practice. Customers do not provide collateral in exchange for credit. The Corporation reviews its trade receivable accounts regularly and to determine whether an adjustment to the provision for expected credit loss. The expected credit loss is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for expected credit loss are determined on a portfolio basis taking into account any available relevant information on the portfolio's liquidity and market factors.

Accounts receivables consist of the following:

	November 30, 2021 $	November 30, 2020 $
Trade receivables	**15,641**	16,526
Other receivables	**373**	269
Total accounts receivables	**16,014**	16,795

(in thousands of Canadian dollars, except where noted and per share amounts)

The Corporation's exposure to credit risk for trade receivables are as follows:

	November 30, 2021 $	November 30, 2020 $
By geographical area:		
Canada	**1,374**	1,347
United States	**11,427**	13,581
Asia	**2,040**	1,892
Europe	**871**	531
Other Americas	**302**	-
Trade receivables	**16,014**	17,351
Expected credit losses ("ECL")	**(373)**	(825)
Trade receivables, net of ECL	**15,641**	16,526
Aging by due dates:		
Current	**14,822**	15,678
Past due 31 to 120 days	**1,157**	1,258
Past due over 121 days	**35**	415
Trade receivables	**16,014**	17,351
ECL	**(373)**	(825)
Trade receivables, net of ECL	**15,641**	16,526

The movements in the ECL are as follows:

	November 30, 2021 $	November 30, 2020 $
Balance, beginning of the year	**825**	542
Provision expensed during the year	**807**	368
Provision written off/released during the year	**(1,259)**	(85)
Balance, end of the year	**373**	825

16.4 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in *Note 11.6*. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors review and approve the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally generated cash flows and the use of its credit facility.

(in thousands of Canadian dollars, except where noted and per share amounts)

The following is the summary of contractual maturities of financial liabilities and obligations, excluding future interest payments but including interest, accrued to November 30, 2021 and November 30, 2020:

					November 30, 2021	November 30, 2020
	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**	Amount $
Bank debt[1] (committed facility) *(Note 9.1)*	**977**	**848**	**502**	**-**	**2,327**	3,318
Bank debt PPP Loans *(Note 9.2)*	**-**	**-**	**-**	**-**	**-**	3,072
Bank debt interest payments	**80**	**41**	**14**	**-**	**135**	158
Accounts payable and accrued liabilities, and provisions	**13,803**	**-**	**-**	**-**	**13,803**	14,789
Contract liabilities	**335**	**-**	**-**	**-**	**335**	388
Income tax payable	**-**	**-**	**-**	**-**	**-**	155
Lease liabilities *(Note 8.2)*	**1,666**	**1,336**	**3,962**	**6,943**	**13,907**	15,769
Operating leases	**161**	**74**	**42**	**-**	**277**	605
	17,022	**2,299**	**4,520**	**6,943**	**30,784**	38,254

1. Bank debt as at November 30, 2021 is offset by $65 for deferred financing charge (2020 - $28).

17. RELATED PARTY TRANSACTIONS

17.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2021 and 2020, except as disclosed in *Note 11.2*.

17.2 Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel (which include the Chief Executive Officer, Chief Financial Officer and the Corporation's other three most highly compensated Executive Officers) were as follows:

	Years ended	
	November 30, 2021 $	November 30, 2020 $
Short-term remuneration benefits	**1,465**	1,680
Stock-based payment benefits	**290**	168
Severance benefits	**-**	97
	1,755	1,945

18. EMPLOYEE COMPENSATION

Employee compensation expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2021, wages, salaries and related benefits were $34,629 (2020 – $41,431).

18.1 Canada Emergency Wage Subsidy

During the second quarter of fiscal 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a subsidy of up to 75% of eligible employees' employment insurable remuneration, subject to certain criteria.

During the year ended November 30, 2021, the Corporation received $3,088 in CEWS funding which was recorded as a reduction to cost of sales and expenses in the consolidated statement of earnings (2020 – $3,221).

18.2 Aviation Manufacturing Jobs Protection Program

During the third quarter of fiscal 2021, the US Department of Transportation announced the Aviation Manufacturing Jobs Protection (AMJP) program under the American Rescue plan that can provide funding to eligible businesses, to pay up to half of their compensation costs for certain categories of employees, for up to six months. In return, the business is required to make several commitments, including a commitment that the company will not involuntarily furlough or lay off employees within that group during the same six-month period.

During the year ended November 30, 2021, the Corporation recorded $197 of AMJP funding as a reduction to cost of sales in the consolidated statement of earnings.

19. COMMITMENTS AND CONTINGENCIES

19.1 Lease commitments

The Corporation has entered into commercial leases for certain equipment. Please see note 16.4 for future minimum lease payments under non-cancellable operating leases.

19.2 Contingencies

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among others, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

20. SEGMENTED INFORMATION

Management has determined that the operating segments are based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision maker. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation evaluates the financial performance of its operating segments primarily based on earnings before interest and income taxes.

(in thousands of Canadian dollars, except where noted and per share amounts)

The Corporation consists of two operating segments which operate within the Global marketplace, FTG Circuits ("Circuits") and FTG Aerospace ("Aerospace"). Circuits is a leading manufacturer of high technology/high reliability printed circuit boards. Aerospace is a manufacturer of illuminated cockpit panels, keyboard, bezels and sub-assemblies for original equipment manufacturers of avionic products and airframe manufacturers. Circuits and Aerospace financial information is shown below:

	Year ended December 31, 2021			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**54,890**	**31,513**	**-**	**86,403**
Inter-company sales	**(2,502)**	**(4,536)**	**-**	**(7,038)**
Net sales	**52,388**	**26,977**	**-**	**79,365**
Cost of sales and selling, general and administrative expenses	**40,453**	**24,518**	**2,539**	**67,510**
Research and development costs	**4,649**	**702**	**-**	**5,351**
Recovery of investment tax credits	**(331)**	**(205)**	**-**	**(536)**
Depreciation of plant and equipment	**3,533**	**766**	**194**	**4,493**
Depreciation of right-of-use assets	**768**	**740**	**48**	**1,556**
Amortization of intangible assets	**129**	**111**	**-**	**240**
Forgiveness of debt	**(2,313)**	**(691)**	**-**	**(3,004)**
Foreign exchange loss on conversion of assets and liabilities	**325**	**70**	**200**	**595**
Earnings (loss) before interest and income taxes	**5,175**	**966**	**(2,981)**	**3,160**
Interest expense on bank debt, net	**-**	**-**	**92**	**92**
Accretion on lease liabilities	**311**	**176**	**3**	**490**
Income tax expense	**-**	**-**	**2,408**	**2,408**
Net earnings (loss)	**4,864**	**790**	**(5,484)**	**170**
Other operating segments disclosures:				
Additions to plant and equipment	**2,632**	**268**	**-**	**2,900**

(in thousands of Canadian dollars, except where noted and per share amounts)

	Year ended November 30, 2020			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	67,648	42,679	-	110,327
Inter-company sales	(1,824)	(6,068)	-	(7,892)
Net sales	65,824	36,611	-	102,435
Cost of sales and selling, general and administrative expenses	49,037	31,617	3,069	83,723
Research and development costs	4,755	529	-	5,284
Recovery of investment tax credits	(520)	(215)	-	(735)
Depreciation of plant and equipment	3,402	796	169	4,367
Depreciation of right-of-use assets	798	776	41	1,615
Amortization of intangible assets	134	447	-	581
Impairment of intangible assets	-	1,145	-	1,145
Foreign exchange loss (gain) on conversion of assets and liabilities	977	(160)	225	1,042
Earnings (loss) before interest and income taxes	7,241	1,676	(3,504)	5,413
Interest expense on bank debt, net	-	-	211	211
Accretion on lease liabilities	348	204	4	556
Income tax expense	-	-	3,384	3,384
Net earnings (loss)	6,893	1,472	(7,103)	1,262
Other operating segments disclosures:				
Additions to plant and equipment	2,890	329	-	3,219

The following table details the total assets, intangible assets, additions to plant and equipment and total liabilities of the Corporation by operating segments:

	As at November 30, 2021			As at November 30, 2020		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**59,525**	**20,095**	**76,620**	59,577	27,099	86,676
Intangible and other assets	**596**	**209**	**805**	746	322	1,068
Total segment liabilities	**21,845**	**6,819**	**28,596**	30,403	4,985	35,388

The following tables detail net sales by the locations of customers:

	Years ended			
	November 30, 2021	**%**	November 30, 2020	%
Canada	**8,079**	**10.2**	7,116	6.9
United States	**59,585**	**75.1**	79,266	77.4
Asia	**6,811**	**8.6**	12,238	11.9
Europe	**4,494**	**5.7**	2,866	2.8
Other	**396**	**0.4**	949	0.9
Total	**79,365**	**100.0**	102,435	100.0

(in thousands of Canadian dollars, except where noted and per share amounts)

The following tables detail the financial information by the locations of the Corporation's divisions:

	As at November 30, 2021			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible and other assets	**205**	**322**	**278**	**805**
Plant and equipment	**4,911**	**4,797**	**1,370**	**11,078**
Right-of-use assets	**6,209**	**3,712**	**177**	**10,098**

	As at November 30, 2020			
	Canada	United States	Asia	Total
	$	$	$	$
Intangible and other assets	212	575	281	1,068
Plant and equipment	6,335	4,621	1,684	12,640
Right-of-use assets	6,700	5,107	323	12,130

The Corporation's primary sources of revenue are as follows:

	Years ended	
	November 30, 2021	November 30, 2020
	$	$
Sale of goods	**77,946**	100,960
Services	**1,607**	1,475
	79,553	102,435

Timing of revenue recognition based on satisfaction of performance obligations is as follows:

	Years ended	
	November 30, 2021	November 30, 2020
	$	$
At a point of time	**77,946**	100,960
Over time	**1,607**	1,475
	79,553	102,435

(in thousands of Canadian dollars, except where noted and per share amounts)

The following tables detail net sales of the Corporation's two largest customers during each year:

For the year ended November 30, 2021	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	United States	**13,588**	**6,458**	**20,046**	**25.3**
Customer B	United States	**3,248**	**4,032**	**7,280**	**9.2**

For the year ended November 30, 2020	Location	Circuits Segment	Aerospace Segment	Total	% of FTG total net sales
		$	**$**	**$**	
Customer A	United States	17,072	4,268	21,340	20.8
Customer B	United States	4,788	4,712	9,500	9.3

CORPORATE DIRECTORY

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Corporate Director and CEO, Morgan Solar

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President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna
Corporate Director

Kumail Gangjee
Corporate Director and Private Investor

David F. Masotti
Corporate Director and Business Consultant

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President and Chief Executive Officer
Firan Technology Group Corporation

Jamie Crichton
Vice-President, Chief Financial Officer and Corporate Secretary
Firan Technology Group Corporation

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STOCK LISTING

The Corporation's shares are traded on the Toronto Stock Exchange under the symbol FTG

ANNUAL GENERAL MEETING

All shareholders and other interested parties are cordially invited to attend the Annual General Meeting of Shareholders on:

April 20, 2022, 10:30am (Toronto Time)
This will be a virtual-only format hosted by LUMI.

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