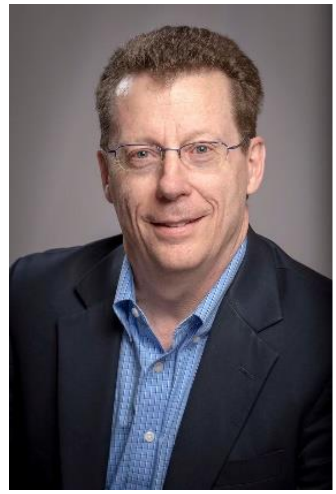
FIRAN TECHNOLOGY GROUP CORPORATION

2022 ANNUAL REPORT

CEO MESSAGE



After two years of playing defence, we made a conscious decision to play offence in 2022. We played offence across all aspects of our business. During the year we invested in technology in our existing sites, we grew the business organically, we acquired our building in Chatsworth to protect our operations but then completed a sales/leaseback as committed, we announced two acquisitions and we bought back stock. Through all these actions, FTG is strategically deploying its strong cash balance in ways that will drive increased shareholder returns for the future in both the near-term and long-term.

In 2022 we finally saw a recovery from the pandemic related downturn. And the recovery was strong. We have moved from a situation where we had weak demand to one where the demand exceeds our current capacity to deliver. With the help of various wage subsidies, we retained most of our staff through the pandemic but there was some attrition and we are working hard to add staff to ramp our production across the company. In 2022, we achieved revenue growth of 13%.

But the strong growth in 2022 came with other challenges, the largest ones being a surge in inflation and many supply chain challenges and constraints, as our suppliers also struggle to ramp their production. We have been proactive in addressing these challenges. We have made significant effort with good success to pass any inflationary impacts on to our customers. And we have made decisions in certain parts of our business to increase our raw material stock to mitigate the risk of supply chain disruptions.

Regarding the announced acquisitions, both are going to be important additions to FTG's business. Our market focus has always been the Aerospace and Defence market and both IMI and Holaday Circuits focus on this market. With IMI we are growing our capability to supply RF printed circuit boards to this market. RF technology is a growing market and we wanted to increase our capabilities to address it. Holaday Circuits supplies high technology printed circuit boards and has similar capabilities to our Toronto plant. But with Holaday being in the US, we can now address certain defence markets that we could previously not access. But as of now, both these acquisitions are pending CFIUS approval in the US, which is expected in our second quarter of 2023.

On a different front, FTG has always had a focus on environmental, social and governance (ESG) risks and opportunities. We are continuing to drive improvements across all of these areas. On the environmental front, FTG has strived, with good success, to reduce our impact on the environment through investments in such areas as recycling of water and higher efficiency equipment, and we have committed further investments, some with the support of the Canadian Government. On social issues, FTG is committed to having a safe, secure and diverse workforce. We proactively review and improve all aspects of safety at our sites. We are proud of our diverse workforce. During the year we took steps to increase the diversity on our Board of Directors with the addition of Amy Rice, who brings new perspectives to all our discussions. And finally FTG's Governance Committee of the Board is engaged in driving increased alignment of all company decisions with Shareholders' expectations and as part of this moved Board compensation to include Deferred Share Units going forward, as just one example.

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 defence 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.

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.

FTG is committed to playing offence in 2023, to the benefit of all our stakeholders. We have a great team and are all ready for future challenges and successes.

Sincerely,

Brad Bourne
President and CEO

February 8, 2023

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, 2022 (fiscal 2022) is as of February 8, 2023 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 2022 and 2021, 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 8, 2023, 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 Toronto, Ontario, Canada, Chatsworth, California, U.S.A. and Fredericksburg, Virginia, U.S.A., 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

Business highlights in 2022 include the following:

a) FTG revenues increased by 12.9% to $89.6M as the global air travel and the commercial aerospace market continued to recover from the pandemic. Each quarter of fiscal 2022 resulted in revenue growth from the prior sequential quarter.

b) As of November 30, 2022, FTG achieved a record level of backlog at $65.5M, which is a 64% increase over the prior year end amount of $39.7M.

c) Customer purchase orders received in 2022 totalled $113.2M, representing a book to bill ratio of 1.26:1.

d) Customer purchase orders included $8.8M to supply cockpit assemblies for military and commercial simulators for different aircrafts including refueling fixed wing aircraft, helicopters and business jets, with the work to be performed by FTG's Aerospace segment facilities in Toronto, Ontario, Chatsworth, California and Tianjin, China with the majority of this work to be performed in the first half of 2023.

e) FTG was awarded up to $7.0M of funding from FedDev Ontario pursuant to the Aerospace Regional Recovery Initiative (ARRI) program. This funding will be in the format of a repayable contribution against qualifying investments made by FTG prior to March 31, 2024. The funding will be repayable, without interest, commencing in 2025 through to 2030. Funding received in fiscal 2022 amounted to $1.9M.

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 8, 2023 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 8, 2023 which is available on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF 2022

The following table provides the operating results for the fourth quarter of fiscal years 2022 and 2021:

	Three months ended	
(in thousands of Canadian dollars)	**November 30, 2022**	November 30, 2021
Sales	**$ 23,750**	$ 20,328
Cost of sales		
Cost of sales	**16,761**	14,597
Depreciation of plant and equipment	**978**	1,108
Depreciation of right-of-use assets	**275**	376
Total cost of sales	**18,014**	16,081
Gross margin	**5,736**	4,247
Expenses		
Selling, general and administrative	**3,148**	2,456
Research and development costs	**1,429**	1,239
Recovery of investment tax credits	**(84)**	(71)
Depreciation of plant and equipment	**54**	58
Depreciation of right-of-use assets	**29**	17
Amortization of intangible assets	**32**	30
Interest expense (income) on bank debt, net	**(8)**	11
Notional interest expense on government loan	**20**	-
Accretion on lease liabilities	**112**	122
Stock based compensation	**(5)**	40
Loss provision on sale-leaseback of building	**357**	-
Foreign exchange (gain) loss	**(308)**	(144)
Total expenses	**4,776**	3,758
Earnings before income taxes	**960**	489
Current income tax expense	**1,430**	999
Deferred income tax expense	**(1,195)**	(370)
Total income tax expense	**235**	629
Net earnings (loss)	**$ 725**	$ (140)
Attributable to:		
Non-controlling interest	**$ 31**	$ (12)
Equity holders of FTG	**$ 694**	$ (128)

Supplementary Information for the fourth quarter of fiscal years 2022 and 2021:

(in thousands of dollars except per share amounts)	**2022** **$**	2021 $
Number of common and preferred shares, in aggregate	**23,990**	24,491
Earnings per share:		
Basic	**0.03**	0.00
Diluted	**0.03**	0.00
EBITDA[1]	**2,399**	2,271
Total assets	**83,746**	79,452
Net cash position[2]	**12,338**	17,934
Free cash flow[3]	**1,315**	887

[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 and government loan..
[3] Free cash flow ("FCF") is a non-IFRS financial measure, which the Corporation defines as net cash flow from operating, investing activities and effects of foreign exchange, excluding acquisitions, less lease liability payments.

Sales

	Fourth Quarter			
	2022 **$**	2021 $	Change $	Change %
Circuits	**15,578**	14,324	1,254	8.8
Aerospace	**9,141**	7,007	2,134	30.5
Inter-segment sales	**(969)**	(1,004)	35	(3.5)
Net sales	**23,750**	20,327	3,423	16.8

The significant variances in fourth quarter sales in 2022 as compared to 2021 were as follows:

- The Circuits segment experienced improved market conditions in the commercial market, and hence increased sales for commercial aerospace applications, however this was partially offset by the timing of orders for circuit boards used in military applications. Circuits segment Q4 sales included a favourable foreign exchange impact of $1.0M, as the Q4 2022 CAD/USD foreign exchange rate was 7% (9 cents) more than Q4 2021.
- Sales in the Aerospace segment are $2.1M or 30.5% higher in Q4 2022 as compared to Q4 2021, which is attributable to a $1.2M increase in sales of Simulator products, an increase of $0.4M in other aerospace products and favourable foreign exchange impact of $0.5M. 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.

Gross margin

	Fourth Quarter			
	2022	2021	Change	Change
	$	$	$	%
Gross margin	**5,736**	4,247	1,489	35.1
% of net sales	**24.2%**	20.9%		
Government assistance included in gross profit	**-**	352	(352)	(100.0)
Gross profit excluding government assistance	**5,736**	3,895	1,841	47.3
% of net sales	**24.2%**	19.2%		

The increase in gross margin dollars for Q4 2022 as compared to Q4 2021 is primarily the result of increased operating leverage on higher sales volumes, operational improvements, and favourable foreign exchange impact, partially offset by the decrease in government assistance. For Q4 2022, gross profit excluding government assistance increased by $1,841 on incremental sales of $3,423.

Net Earnings (Loss)

	Fourth Quarter			
	2022	2021	Change	Change
	$	$	$	%
Net earnings (loss)	**725**	(140)	865	(617.9)
Non-controlling interest	**31**	(12)	43	(358.3)
Net earnings (loss) attributable to equity holders of FTG	**694**	(128)	822	(642.2)

The increase in net earnings in the fourth quarter of 2022 over the prior year is the result of higher sales and gross margin, partially offset by higher selling, general and administrative costs including professional fees incurred for business acquisitions and FX loss.

In Q4 2022, FTG recorded a loss provision of $357, net of tax, on the sale-leaseback of the Aerospace Chatsworth facility, which was completed subsequent to year end. Although the proceeds from the sale-leaseback approximated the purchase price of the facility when acquired in Q2 2022, the loss provision was required to cover the transaction costs.

In Q4 2022, FTG also incurred $127 of selling, general and administrative costs related to business acquisitions.

Excluding the sale-leaseback transaction costs and business acquisition expenses, Q4 2022 net earnings amounted to $1.2M.

Cash Flow

	Fourth Quarter			
	2022	2021	Change	Change
	$	$	$	%
Operating activities	**3,097**	2,680	417	15.6
Investing activities	**(539)**	(957)	418	(43.7)
Financing activities	**(220)**	(669)	449	(67.1)
Free cash flow	**1,315**	877	438	49.9

Cash flow from operations in the fourth quarter of 2022 increased from fourth quarter 2021 primarily due to higher net earnings.

Investing activities in the fourth quarter of fiscal 2022 primarily included $552 of cash used for capital expenditures (Q4 2021 – $949).

Cash used by financing activities in the fourth quarter of fiscal 2022 is reduced by $449 as compared to the prior year quarter, primarily as a result of $601 of proceeds from the ARRI government loan, partially offset by $201 used for repurchase of shares (Q4 2021 - $nil and $nil).

Free cash flow in the fourth quarter of 2022 has a favourable variance of approximately $0.4M as compared Q4 2021. Contributors to the variance include higher cash flow from operations and a lower level of investment in capital equipment.

Segmented Information

The following tables provide the operating results for the Corporation's segments for the fourth quarter of fiscal years 2022 and 2021:

	Three months ended November 30, 2022			
	Circuits	**Aerospace**	**Eliminations and Corporate**	**Total**
	$	**$**	**$**	**$**
Gross segment sales	**15,578**	**9,141**	**-**	**24,719**
Inter-segment sales	**-**	**-**	**(969)**	**(969)**
Net sales	**15,578**	**9,141**	**(969)**	**23,750**
Cost of sales and selling, general and administrative expenses	**12,286**	**8,142**	**(167)**	**20,261**
Research and development costs	**1,234**	**195**	**-**	**1,429**
Recovery of investment tax credits	**(57)**	**(27)**	**-**	**(84)**
Depreciation of plant and equipment	**824**	**164**	**44**	**1,032**
Depreciation of right-of-use assets	**200**	**79**	**25**	**304**
Amortization of intangible assets	**32**	**-**	**-**	**32**
Foreign exchange loss (gain) on conversion of assets and liabilities	**(15)**	**(249)**	**(44)**	**(308)**
Earnings (loss) before interest and income taxes	**1,074**	**837**	**(827)**	**1,084**
Interest expenses, net	**5**	**-**	**7**	**12**
Accretion on lease liabilities	**75**	**34**	**3**	**112**
Income tax expense	**-**	**-**	**235**	**235**
Net earnings (loss)	**994**	**803**	**(1,072)**	**725**
Other operating segments disclosures:				
Additions to plant and equipment	**284**	**258**	**10**	**552**

	Three months ended November 30, 2021			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Gross segment sales	14,324	7,007	-	21,331
Inter-segment sales	-	-	(1,004)	(1,004)
Net sales	14,324	7,007	(1,004)	20,327
Cost of sales and selling, general and administrative expenses	10,552	6,669	(129)	17,092
Research and development costs	1,068	171	-	1,239
Recovery of investment tax credits	(43)	(28)	-	(71)
Depreciation of plant and equipment	920	200	46	1,166
Depreciation of right-of-use assets	192	189	12	393
Amortization of intangible assets	30	-	-	30
Foreign exchange loss (gain) on conversion of assets and liabilities	(18)	(76)	(50)	(144)
Earnings (loss) before interest and income taxes	1,623	(118)	(883)	622
Interest expenses, net	-	-	11	11
Accretion on lease liabilities	77	44	1	122
Income tax expense	-	-	629	629
Net earnings (loss)	1,546	(162)	(1,524)	(140)
Other operating segments disclosures:				
Additions to plant and equipment	806	143	-	949

RECONCILIATION OF NET INCOME TO EBITDA

The following table reconciles EBITDA to net earnings in accordance with IFRS for the fourth quarter of fiscal years:

	Fourth Quarter	
	2022	2021
	$	$
Net earnings to equity holders of FTG	**694**	(128)
Add back:		
Interest and accretion	**124**	133
Income tax expense	**235**	629
Depreciation and amortization	**1,351**	1,597
Stock based compensation	**(5)**	40
EBITDA	**2,399**	2,271
% of net sales	**10.1%**	11.2%

Excluding sale-leaseback transaction costs of $357 and business acquisition expenses of $127, EBITDA for Q4 2022 was $2.9M or 12.1% of net sales.

RESULTS OF OPERATIONS FOR THE 2022 FISCAL YEAR

	2022	2021
(in thousands of dollars except per share amounts)	**$**	$
Sales	**89,624**	79,365
Gross margin	**21,310**	17,133
Net earnings to equity holders of FTG	**698**	256
Weighted average number of common shares	**24,319**	24,491
Earnings per share:		
Basic	**0.03**	0.01
Diluted	**0.03**	0.01
EBITDA	**8,582**	9,644
Total assets	**83,746**	79,452
Net cash position	**12,338**	17,934
Free cash flow	**(4,420)**	2,078

Sales

	Year-to-Date			
	2022	2021	Change	Change
	$	$	$	%
Circuits	**59,848**	52,464	7,384	14.1
Aerospace	**34,557**	30,206	4,351	14.4
Inter-segment sales	**(4,781)**	(3,305)	(1,476)	44.7
Net sales	**89,624**	79,365	10,259	12.9

Increased revenue in 2022 is the result of the gradual recovery of global air travel following the easing of various pandemic related restrictions, which led to improved market conditions for the commercial aerospace market. In addition, FTG benefitted from a favourable FX impact on revenue.

Order intake for our products strengthened in each sequential quarter of 2022, resulting in total new orders booked of $113.2M for 2022 as compared to $80.4M in 2021. Revenue increased by 12.9% in 2022 as compared to 2021, with similar levels of revenue increases in both the Circuits and Aerospace segment. Revenues did not increase at the same rate as new orders, in part due to the applicable customer delivery schedules, but also FTG continued to experience unfavourable operational impacts of COVID-19 including higher than normal employee absences across our North American sites, government mandated shutdowns of our China sites, and longer lead times for the supply of critical components, particularly in the Aerospace segment.

Simulator product revenue was approximately $3.2M in 2022 as compared to $4.3M in 2021. 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 2022 was 3% (4 cents) higher than in 2021 and the estimated positive impact on sales is $2.7M. This is partially mitigated by FTG's currency hedging program, which resulted in realized gains on FX forward contracts of $270 added to sales during 2022 (2020 – realized gains of $1,250 were added to sales).

The increase in Inter-segment sales is primarily due to increased collaboration between Circuits Chatsworth and Aerospace Chatsworth, with Circuits supplying PCBs for integration into military assemblies at Aerospace Chatsworth.

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

					Year-to-Date	
	2022		2021		Change	
	$	**%**	$	%	$	%
Canada	**9,145**	**10.2**	8,079	10.2	1,066	13.2
United States	**65,153**	**72.7**	59,585	75.1	5,568	9.3
Asia	**8,502**	**9.5**	6,811	8.6	1,691	24.8
Europe	**5,428**	**6.1**	4,494	5.7	934	20.8
Other	**1,396**	**1.5**	396	0.4	1,000	252.5
Total	**89,624**	**100**	79,365	100	10,259	12.9

On a geographical basis, sales in 2022 into Asia, Europe and Other all increased on an absolute and relative basis consistent with the recovery of the commercial aerospace market. Sales into the United States, which is a mix of the commercial aerospace and military markets, increased by 9.3%, with the military sales growing at a lower relative rate. Sales into Canada in 2022 are comparable to 2021 on a relative basis.

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

	Year-to-Date	
	2022	2021
	%	%
Largest customer	**25.6**	25.3
Second largest customer	**10.5**	9.2
Third to fifth largest customers	**19.6**	16.6
Largest five customers	**55.7**	51.1

Gross Margin

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Gross margin	**21,310**	17,133	4,177	24.4
% of net sales	**23.8%**	21.6%		
Government assistance included in gross profit	**314**	3,157	(2,843)	(90.1)
Gross margin excluding government assistance	**20,996**	13,976	7,020	50.2
% of net sales	**23.4%**	17.6%		

The increase in gross margin dollars and the gross margin rate is the result of increased operating leverage on higher sales volumes and operational improvements, offset by the decrease in government assistance. For 2022, gross profit excluding government assistance increased by $7,020 on incremental sales of $10,259.

Selling, General and Administrative Expenses

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Selling, general and administrative expenses	**12,678**	10,950	1,728	15.8
% of net sales	**14.1%**	13.8%		

The increase of $1,728 during fiscal 2022 is the result of increased professional and legal expenses related to business acquisitions, increased travel, lower gain on disposal of property, plant and equipment.

Research and Development

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Research and development costs	**5,851**	5,351	500	9.3
Recovery of investment tax credits	**(582)**	(536)	(46)	8.6

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 2022 were 6.5% of net sales as compared to 6.7% of net sales for last year.

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, 2022, ITCs were earned from qualifying research and development expenditures.

The Corporation has, as at November 30, 2022, $nil (2021 – $327) of investment tax credits available to be applied against future income taxes otherwise payable in Canada.

Depreciation and Amortization

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Depreciation of property, plant and equipment	**4,259**	4,493	(234)	(5.2)
Depreciation of right-of-use assets	**1,350**	1,556	(206)	(13.2)
Amortization/impairment of intangible assets	**124**	240	(116)	(48.3)
Amortization, other	**6**	43	(37)	(86.0)
Total	**5,739**	6,332	(593)	(9.4)

The decrease in depreciation of property, plant and equipment during 2022 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 and the purchase of the Aerospace Chatsworth facility which was previously leased.

The decrease in amortization of intangible assets is due to a lower level of intangible assets carried on the balance sheet in 2022.

Interest Expense

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Interest expenses on bank debt, net	**(21)**	92	(113)	(122.8)
Accretion on lease liabilities	**444**	490	(46)	(9.4)

The decrease in interest expense in 2022 was mainly due to the decrease in bank debt as compared to last year as well as increased interest income on cash balances, due to higher interest rates.

Fluctuations in accretion on lease liabilities are primarily due to currency translation and the purchase of the Aerospace Chatsworth facility which was previously leased.

Foreign Exchange

The Canadian dollar spot rate, as compared to the U.S. dollar has (appreciated) depreciated as follows during 2022:

Year-to-Date	**2022**				2021			
	November 30, 2022	**November 30, 2021**	**Change**		November 30, 2021	November 30, 2020	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.3508**	**1.2792**	0.07	5.6	1.2792	1.2965	(0.02)	(1.3)

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

	Year-to-Date		
	2022	2021	Change
	$	$	$
Foreign exchange (gain) loss	**(317)**	595	(912)

The foreign exchange gain for fiscal 2022 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	
	2022	2021
	$	$
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**89,354**	78,115
Adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**270**	1,250
Net sales	**89,624**	79,365
Costs of sales excluding depreciation	**62,991**	56,494
Depreciation of property, plant and equipment and right-of-use assets	**5,323**	5,738
Total cost of sales	**68,314**	62,232
Gross margin	**21,310**	17,133
Gross margin %	**23.8%**	21.6%
Gross margin before f/x gain (loss)	**21,040**	15,883
Gross margin % before f/x gain (loss)	**23.5%**	20.3%

Income Tax Expense

	Year-to-Date			
	2022	2021	Change	Change
	$	$	$	%
Current income tax expense	**2,668**	2,684	(16)	(0.6)
Deferred income tax expense	**(1,094)**	(276)	(818)	296.4

During the year ended November 30, 2022, current income tax includes current income tax expense of $2,555 (2021 – $2,658) related to income tax on earnings in the Canadian entity, and recovery of $2 (2021 – $31) related to taxes for the U.S. subsidiaries, and tax expense of $113 (2021 – $57) 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, 2022 was 67.2% (2021 – 93.4%). 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	
	2022	2021
	$	$
Net earnings to equity holders of FTG	**698**	256
Add back:		
Interest and accretion	**443**	582
Income tax expense	**1,574**	2,408
Depreciation, amortization and impairment of intangible assets	**5,739**	6,332
Stock based compensation	**128**	66
EBITDA	**8,582**	9,644
% of net sales	**9.6%**	12.2%

EBITDA for fiscal 2022, excluding $357 of sale-leaseback transaction costs and $168k of acquisition expenses, amounted to $9.1M or 10.2% of net sales.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

(thousands of dollars except per share amounts and exchange rates)

	Q1-21	Q2-21	Q3-21	Q4-21	**Q1-22**	**Q2-22**	**Q3-22**	**Q4-22**
Circuit Segment Sales	$12,030	$12,989	$13,122	$14,324	**$14,194**	**$15,499**	**$14,577**	**$15,578**
Aerospace Segment Sales	8,020	7,776	7,404	7,007	**7,750**	**8,030**	**9,637**	**9,141**
	(1,080)	(435)	(788)	(1,004)	**(1,483)**	**(1,211)**	**(1,119)**	**(969)**
Total Net Sales	18,970	20,330	19,738	20,327	**20,461**	**22,318**	**23,095**	**23,750**
Earnings (Loss) before income taxes	60	578	1,451	489	**(399)**	**531**	**1,250**	**960**
Net Earnings (Loss) Attributable to Equity holders of FTG	(400)	10	774	(128)	**(733)**	**14**	**723**	**694**
Earnings (Loss) per share: Basic[1]	($0.02)	$0.00	$0.03	$0.00	**($0.03)**	**$0.00**	**$0.03**	**$0.03**
Diluted	($0.02)	$0.00	$0.03	$0.00	**($0.03)**	**$0.00**	**$0.03**	**$0.03**
Quarterly average CDN$ US$ exchange rates	$1.2740	$1.2390	$1.2465	$1.2561	**$1.2709**	**$1.2709**	**$1.2907**	**$1.3494**

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, 2022 $	November 30, 2021 $
Total liquidity (cash, accounts receivable, contract assets and inventory)	**52,449**	53,981
Unused credit facilities[1]	**24,841**	22,540
Working capital	**30,810**	39,973

[1] *US$18.9M (2021– US$18.8M)*

	Q4 2022 $	Q4 2021 $
Accounts receivables days outstanding	**64**	72
Inventory turns	**3.7**	3.4
Accounts payable days outstanding	**73**	86

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, 2022.

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, 2022.

	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**
Bank debt (committed facility)	**911**	**482**	**52**	**-**	**1,445**
Bank debt interest payments	**43**	**14**	**-**	**-**	**57**
Accounts payable and accrued liabilities, and provisions	**15,729**	**-**	**-**	**-**	**15,729**
Contract liabilities	**4,423**	**-**	**-**	**-**	**4,423**
Income tax payable	**712**	**-**	**-**	**-**	**712**
Lease liabilities	**1,304**	**1,290**	**2,626**	**398**	**5,618**
Operating leases	**77**	**44**	**-**	**-**	**121**
Government loan	**-**	**-**	**1,059**	**867**	**1,926**
	23,199	**1,830**	**3,737**	**1,265**	**30,031**

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, 2022. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2022 **$**	November 30, 2021 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(1,720)**	1,131
Gold forward contracts	**(70)**	(14)
Interest rate swaps	**25**	(58)
Net unrealized gains of derivative instruments	**(1,765)**	1,059
Tax effect	**441**	(265)
Included in accumulated other comprehensive income	**(1,324)**	794

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, 2022 and 2021. The table below summarizes the Corporation's interest rate swaps:

				Unrealized loss	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2022**	November 30, 2021
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%	**$6**	($7)
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%	**$11**	($27)
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%	**$8**	($24)
				$25	($58)

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	Year-to-Date	
	2022 **$**	2021 $
Purchase of Aerospace Chatsworth facility	**8,518**	-
Additions to property, plant and equipment	**3,793**	2,900

Capital expenditures of $3,793 were primarily in support of the Circuits segment, and were targeted at expanding capacity and improving the efficiency of the Circuits operations. Significant items included a SES line, two Interconnect Stress Test units, Plasma Etch and Cut Sheet Laminator. An X-ray inspection unit was acquired for the Aerospace segment.

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, Averatek line, MECetchBOND equipment, as well as replacement of the DES line and modifications to the Wet Lab.

CASH FLOW

	Year-to-Date			
	2022 **$**	2021 $	Change $	Change %
Operating activities	**11,261**	7,634	3,627	47.5
Investing activities	**(12,022)**	(2,950)	(9,072)	307.5
Financing activities	**(1,731)**	(2,697)	966	(35.8)
Free cash flow	**(4,378)**	2,078	(6,456)	(310.7)
Free cash flow excluding the purchase of the Aerospace Chatsworth facility	**4,140**	2,078	2,062	99.2

Cash flow from operations for 2022 increased by $3,627 over 2021 as a result of increased net earnings of $598, and the fact that 2021 included a non-cash positive earnings adjustment of $3.0M related to the forgiveness of the PPP Loans.

Investing activities in fiscal 2022 primarily included $8,518 for the purchase of Aerospace Chatworth facility (2021 - $nil) and $3,793 for other capital expenditures (2021 – $2,900).

Cash used by financing activities in 2022 included $1,926 cash proceeds from government loan (2021 – $nil), $943 towards repayments of bank debt (2021 – $914) and $1,579 towards lease liability payments (2021 – $1,783). In addition, 2022 included $1,135 of cash used for repurchase and cancellation of shares (2021 – $nil).

Free cash flow in 2022 was a use of cash of $4.4M as compared to free cash flow generation of $2.1M in the prior year.

Excluding the purchase of the Aerospace Chatsworth facility in the second quarter of 2022 for $8.5M, free cash flow would have been $4.1M for the 2022 fiscal year. Subsequent to November 30, 2022, the Corporation completed a sale/leaseback agreement for the facility. The sales proceeds are approximately $8,500 net of commissions and other expenses. The initial lease period is seven years, with two additional five-year options to extend the lease.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended November 30, 2022 and 2021, except as disclosed in *Note 17* to the consolidated financial statements as at November 30, 2022.

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, 2022 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. The outstanding common shares at the year ended November 30, 2022 were 23,926,901 (2021 – 24,491,201).

During the year ended November 30, 2022, 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.

During the year ended November 30, 2022, 100% of the DSU's granted vested immediately upon grants. DSUs are settled in cash no more than 3 months after the termination of a director.

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 8, 2023 which is available on SEDAR at www.sedar.com.

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 property, plant and equipment

The Corporation estimates the useful lives of property, 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 property, 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 property, plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the property, 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

On a global scale, the airline industry was dramatically weakened in 2020 and 2021with significant drops in passenger travel due to the COVID-19 pandemic. This negatively impacted the commercial aerospace industry. Travel has recovered and demand in the aerospace industry has returned. The challenge for the Aerospace industry has quickly changed to how to ramp production to meet the demand. Labor and material challenges abound in this industry, like many others.

Specifically at FTG, beyond the reduced demand, the COVID-19 pandemic had caused production disruptions at all sites at various points in time. The impact on FTG's operations in 2022 has diminished with each quarter. FTG's backlog, resulting from increased customer demand, has grown faster than we could ramp production in 2022.

In commercial Air Transport, the pandemic hurt demand. Airbus reduced shipments by 35% in 2020 compared to 2019. In 2022, Airbus deliveries rose approximately 11% compared to 2021. Airbus' order backlog remains high at over 7,000 aircraft and projections are for more than 20% delivery increase in 2023. Boeing has also been hurt by the pandemic and their challenges with the B737 aircraft. The B737 is now flying again in the U.S., Canada and Europe and production of the aircraft has resumed in 2022. Projections are for more than 30% increase in production at Boeing in 2023. 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. Backlog at Airbus is over 90% single aisle aircraft and over 80% at Boeing.

The business jet market also saw reduced demand during 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. The conflict in Ukraine is causing many NATO member states to relook at their defence spending with expectations that these spendings will increase in the coming years.

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

The CEO and the CFO have designed the Corporation’s disclosure controls and procedures 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 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 control over financial reporting and concluded that, as of November 30, 2022, internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the fourth quarter ended November 30, 2022, there have been no changes in the Corporation’s internal controls over financial reporting, 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 8, 2023 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 8, 2023 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 2022 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 8, 2023	February 8, 2023

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 "Corporation"), which comprise the consolidated statements of financial position as at November 30, 2022 and November 30, 2021, and the consolidated statements of earnings, comprehensive income (loss), 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 Corporation as at November 30, 2022 and November 30, 2021, 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 Corporation 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 Corporation 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 Corporation recorded an inventory obsolescence adjustment of $1,886 ($1,000s). Due to the level of estimation involved in determining the valuation of 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:

- Obtaining an understanding of the Corporation’s controls and assessing 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.
- Performing a retrospective review on the prior year's inventory write off and comparing it to current year activity to evaluate management's ability to accurately estimate the net realizable value.
- Recalculating specific selling prices and costs to sell of inventory items to assess the accuracy of the reserve.
- Analyzing changes in the reserve from the prior year, to identify unusual trends and conclude on whether the reserve is appropriate.

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 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 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 this 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation 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 Corporation 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, Ontario
February 8, 2023

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	November 30, 2022	November 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 15,666**	$ 20,196
Accounts receivable *(Note 16.3)*	**16,615**	16,014
Contract assets	**504**	818
Inventories *(Note 5)*	**19,664**	16,953
Income tax recoverable	**-**	1
Prepaid expenses and other	**1,498**	3,162
	53,947	57,144
Non-current assets		
Non-current assets held for sale *(Note 6.1)*	**8,471**	-
Property, plant and equipment, net *(Note 6)*	**10,718**	11,078
Right-of-use assets *(Note 8)*	**9,463**	10,098
Investment tax credits recoverable *(Note 12.2)*	**-**	327
Intangible and other assets, net *(Note 7)*	**399**	805
Deferred tax assets *(Note 13.1)*	**748**	-
Total assets	**$ 83,746**	$ 79,452
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 14,906**	$ 13,760
Provisions *(Note 10)*	**823**	545
Contract liabilities	**4,423**	335
Current portion of bank debt *(Note 9.1)*	**866**	935
Current portion of government loan *(Note 9.3)*	**47**	-
Current portion of lease liabilities *(Note 8.2)*	**1,360**	1,553
Income tax payable	**712**	-
	23,137	17,128
Non-current liabilities		
Bank debt *(Note 9.1)*	**532**	1,327
Government loan *(Note 9.3)*	**1,883**	-
Lease liabilities *(Note 8.2)*	**8,899**	9,123
Deferred tax liability *(Note 13.1)*	**-**	789
Total liabilities	**34,451**	28,367
Equity		
Retained earnings	**$ 19,521**	$ 19,434
Accumulated other comprehensive income (loss)	**(867)**	478
	18,654	19,912
Share capital		
Common Shares *(Note 11.1)*	**21,357**	21,881
Contributed surplus	**8,319**	8,352
Total equity attributable to FTG's shareholders	**48,330**	50,145
Non-controlling interest	**965**	940
Total equity	**49,295**	51,085
Total liabilities and equity	**$ 83,746**	$ 79,452

See accompanying notes.

Approved on behalf of the board:

Director

Director

Consolidated Statements of Earnings

	Years ended	
(in thousands of Canadian dollars, except per share amounts)	**November 30, 2022**	November 30, 2021
Sales	**$ 89,624**	$ 79,365
Cost of sales		
Cost of sales *(Note 5, Note 18)*	**62,991**	56,494
Depreciation of property, plant and equipment *(Note 6)*	**4,036**	4,250
Depreciation of right-of-use assets *(Note 8)*	**1,287**	1,488
Total cost of sales	**68,314**	62,232
Gross margin	**21,310**	17,133
Expenses		
Selling, general and administrative	**12,678**	10,950
Research and development costs *(Note 12.1)*	**5,851**	5,351
Recovery of investment tax credits *(Note 12.2)*	**(582)**	(536)
Depreciation of property, plant and equipment *(Note 6)*	**223**	243
Depreciation of right-of-use assets *(Note 8)*	**63**	68
Amortization of intangible assets *(Note 7)*	**124**	240
Interest expense (income) on bank debt, net *(Note 9.1)*	**(21)**	92
Notional interest expense on government loan *(Note 9.3)*	**20**	-
Accretion on lease liabilities *(Note 8)*	**444**	490
Stock based compensation *(Note 11.2)*	**128**	66
Foreign exchange (gain) loss *(Note 15)*	**(317)**	595
Loss provision on sale-leaseback of building *(Note 6.1)*	**357**	-
Forgiveness of debt *(Note 9.2)*	**-**	(3,004)
Total expenses	**18,968**	14,555
Earnings before income taxes	**2,342**	2,578
Current income tax expense *(Note 13.2)*	**2,668**	2,684
Deferred income tax recovery *(Note 13.1)*	**(1,094)**	(276)
Total income tax expense	**1,574**	2,408
Net earnings	**$ 768**	$ 170
Attributable to:		
Non-controlling interest	**$ 70**	$ (86)
Equity holders of FTG	**$ 698**	$ 256
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 11.3)*	**$ 0.03**	$ 0.01
Diluted *(Note 11.3)*	**$ 0.03**	$ 0.01

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Years ended **November 30, 2022**	November 30, 2021
Net earnings	**$ 768**	$ 170
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	**993**	(84)
Net loss on valuation of derivative financial instruments designated as cash flow hedges *(Note 15)*	**(2,826)**	(508)
Deferred income taxes on net loss on valuation of derivative financial instruments designated as cash flow hedges	**443**	127
	(1,390)	(465)
Total comprehensive loss	**$ (622)**	$ (295)
Attributable to:		
Equity holders of FTG	**$ (636)**	$ (127)
Non-controlling interest	**$ 14**	$ (168)

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Year ended November 30, 2022 and 2021	**Attributed to the equity holders of FTG**						
(in thousands of Canadian dollars)	**Common shares**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2020	$ 21,881	$ 19,178	$ 8,303	$ 958	$ 50,320	$ 1,011	$ 51,331
Net earnings (loss)	-	256	-	-	256	(86)	170
Stock-based compensation	-	-	49	-	49	-	49
Other comprehensive income (loss)	-	-	-	(480)	(480)	15	(465)
Balance, November 30, 2021	**$ 21,881**	**$ 19,434**	**$ 8,352**	**$ 478**	**$ 50,145**	**$ 940**	**$ 51,085**
Net earnings	**-**	**698**	**-**	**-**	**698**	**70**	**768**
Stock-based compensation	**-**	**-**	**(33)**	**-**	**(33)**	**-**	**(33)**
Repurchase and cancellation of shares	**(524)**	**(611)**	**-**	**-**	**(1,135)**	**-**	**(1,135)**
Other comprehensive loss	**-**	**-**	**-**	**(1,345)**	**(1,345)**	**(45)**	**(1,390)**
Balance, November 30, 2022	**$ 21,357**	**$ 19,521**	**$ 8,319**	**$ (867)**	**$ 48,330**	**$ 965**	**$ 49,295**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended November 30, 2022	November 30, 2021
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	**$ 768**	$ 170
Items not affecting cash and cash equivalents:		
Stock-based compensation *(Note 11.2)*	**128**	66
Loss (Gain) on disposal of plant and equipment *(Note 6)*	**5**	(252)
Loss provision on sale-leaseback of building (Note 21)	**357**	-
Effect of exchange rates on U.S. dollar bank debt	**(290)**	(133)
Depreciation of property, plant and equipment *(Note 6)*	**4,259**	4,493
Depreciation of right-of-use assets *(Note 8)*	**1,350**	1,556
Amortization of intangible assets *(Note 7)*	**124**	240
Amortization, other	**6**	43
Notional interest expense on government loan *(Note 9.3)*	**20**	-
Investment tax credits/deferred income taxes *(Note 12.2, Note 13)*	**(281)**	773
Accretion on lease liabilities *(Note 8)*	**444**	490
Forgiveness of debt *(Note 9.2)*	**-**	(3,004)
Net change in non-cash operating working capital *(Note 14)*	**4,371**	3,192
	11,261	7,634
Investing activities		
Purchase of Aerospace Chatsworth facility *(Note 6)*	**(8,518)**	
Additions to property, plant and equipment *(Note 6)*	**(3,793)**	(2,900)
Recovery of contract and other costs	**294**	15
Additions to deferred financing costs *(Note 9.1)*	**(5)**	(65)
	(12,022)	(2,950)
Net cash (used in) flow from operating and investing activities	**(761)**	4,684
Financing activities		
Proceeds from government loan *(Note 9.3)*	**1,926**	-
Repayments of bank debt	**(943)**	(914)
Lease liability payments *(Note 8)*	**(1,579)**	(1,783)
Repurchase and cancellation of shares *(Note 11.5)*	**(1,135)**	-
	(1,731)	(2,697)
Effects of foreign exchange rate changes on cash flow	**(2,038)**	(823)
Net (decrease) increase in cash flow	**(4,530)**	1,164
Cash and cash equivalents, beginning of the period	**20,196**	19,032
Cash and cash equivalents, end of period	**$ 15,666**	$ 20,196
Disclosure of cash payments		
Payment for interest	**$ 85**	$ 128
Payments for income taxes	**$ 1,074**	$ 1,235

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) 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) 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.

During the year ended November 30, 2022, Firan Technology Group (Barbados) 1 Corporation was dissolved.

These consolidated financial statements were approved for issuance by the Board of Directors on February 8, 2023.

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, 2022 and 2021. 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 the 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 segmented 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 property, 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, interest-bearing or interest-free 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. The benefit of interest-free loan is calculated as the difference between the fair value of the interest-free loan and the proceeds received and recognized as income over the term of the loan.

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 Property, plant and equipment

Property, 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
Land	Indefinite
Building	20
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 probable 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 more 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 hedge accounting criteria in IFRS 9 *Financial Instruments* 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 property, plant and equipment

The Corporation estimates the useful lives of property, 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 property, 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 property, plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the property, 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.

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

5. INVENTORIES

	November 30, 2022 $	November 30, 2021 $
Raw materials and spare parts	**8,604**	6,233
Work-in-progress	**6,614**	7,139
Finished goods	**4,446**	3,581
	19,664	16,953

The cost of inventories recognized as an expense during the year ended November 30, 2022 was $31,608 (2021 – $27,866). This amount also included $1,886 (2021 – $1,692) as cost of inventories written down due to obsolescence.

6. PROPERTY, PLANT AND EQUIPMENT

	Land $	**Building $**	**Machinery and equipment $**	**Furniture and fixtures $**	**Leasehold improvements $**	**Total $**
Cost						
At December 1, 2020	-	-	49,691	434	6,102	56,227
Addition	-	-	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**
Additions	**4,010**	**4,522**	**3,518**	**29**	**232**	**12,311**
Disposal and other	**-**	**(357)**	**(297)**	**(2)**	**-**	**(656)**
Foreign currency translation	**177**	**198**	**829**	**15**	**119**	**1,338**
Reclassified to held for sale	**(4,187)**	**(4,363)**	**-**	**-**	**-**	**(8,550)**
At November 30, 2022	**-**	**-**	**55,377**	**473**	**6,648**	**62,498**
Accumulated depreciation						
At December 1, 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**
Depreciation[1]	**-**	**73**	**3,615**	**18**	**553**	**4,259**
Disposal and other	**-**	**-**	**(148)**	**(2)**	**-**	**(150)**
Foreign currency translation	**-**	**6**	**649**	**14**	**104**	**773**
Reclassified to held for sale	**-**	**(79)**	**-**	**-**	**-**	**(79)**
At November 30, 2022	**-**	**-**	**45,757**	**453**	**5,570**	**51,780**
Net book value						
At November 30, 2021	-	-	9,686	8	1,384	11,078
At November 30, 2022	**-**	**-**	**9,620**	**20**	**1,078**	**10,718**

1. Depreciation of property, plant and equipment is included in cost of sales and expenses

Included in machinery and equipment as at November 30, 2022 are $934 (November 30, 2021 – $433) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

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

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

6.1 Non-current assets held for sale

In July 2022, the Corporation acquired the facility occupied by the Aerospace Chatsworth operation for cash consideration of $8,532 (US$6,582). This facility was previously leased. Subsequent to November 30, 2022, the Corporation completed a sale/leaseback agreement for the facility. The sales proceeds are approximately $8,500 net of commissions and other expenses. The initial lease period is seven years, with two additional five-year options to extend the lease. The Corporation recorded $357 of loss provision during the year ended November 30, 2022, representing the difference between the net book value of the facility and the net sales proceeds.

7. INTANGIBLE AND OTHER ASSETS, NET

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

	Years ended	
	November 30, 2022 **$**	November 30, 2021 $
Cost		
Balance, beginning of the year	**6,299**	6,373
Addition	**-**	4
Adjust for fully amortized intangible assets	**(5,196)**	-
Foreign currency translation	**34**	(78)
Balance, end of the year	**1,137**	6,299
Accumulated amortization		
Balance, beginning of the year	**5,972**	5,798
Amortization during the year	**125**	240
Adjust for fully amortized intangible assets	**(5,196)**	-
Foreign currency translation	**21**	(66)
Balance, end of the year	**922**	5,972
Net book value	**215**	327

Intangible assets have an unamortized remaining period of approximately two years as at November 30, 2022 (approximately three years as at November 30, 2021).

As at November 30, 2022, other assets include non-current value added taxes recoverable of $nil (2021 – $273) and deferred development costs of $184 (2021 – $205).

(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, 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**
Addition	**-**	**175**	**175**
Modification	**565**	**-**	**565**
Depreciation[1]	**(1,284)**	**(67)**	**(1,351)**
Disposal	**-**	**(15)**	**(15)**
Foreign currency translation	**(9)**	**-**	**(9)**
At November 30, 2022	**9,281**	**182**	**9,463**

1. Depreciation of right-of-use assets is included in cost of sales and expenses

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 of lease liabilities 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, 2022 $	November 30, 2021 $
Balance, beginning of the year	**10,676**	12,469
Additions	**175**	32
Modification	**565**	-
Accretion on lease liabilities	**444**	490
Payments	**(1,579)**	(1,783)
Disposal	**(15)**	(469)
Foreign exchange and other	**(7)**	(63)
Balance, end of the year	**10,259**	10,676
Less: current portion	**(1,360)**	(1,553)
Lease liabilities	**8,899**	9,123

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. DEBT AND LOANS

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 $47 as at November 30, 2022 (November 30, 2021 – $65) have been offset against bank debt in the consolidated statement of financial position.

As at November 30, 2022, the Corporation had entered into three (November 30, 2021 – 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, 2022.

(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, 2022** USD	**November 30, 2022** $	November 30, 2021 USD	November 30, 2021 $
5.0 year US $2,600 term loan, amortized over 7 years	US$31 plus interest	LIBOR + 200 basis point	**305**	**416**	701	896
5.0 year US $1,500 term loan, amortized over 7 years	US$18 plus interest	LIBOR + 215 basis points	**429**	**579**	643	822
5.0 year US $1,000 term loan, amortized over 7 years	US$12 plus interest	LIBOR + 215 basis points	**333**	**450**	476	609

The Corporation 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 Corporation's 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 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 were fully forgiven.

9.3 Aerospace Regional Recovery Initiative Program

In 2022, the Corporation was awarded up to $7,027 of funding from FedDev Ontario, an agency of the Government of Canada, pursuant to the Aerospace Regional Recovery Initiative (ARRI) program in Canada. This funding will be in the format of a repayable contribution against qualifying investments made by FTG during a three-year period ending March 31, 2024. The funding will be repayable, without interest, commencing in 2025 over a period of 5 years.

	November 30, 2022 $	November 30, 2021 $
Balance, beginning of the year	-	-
ARRI loans received	1,926	-
Notional interest expense during the year	20	
Government grant income during the year	(16)	-
Ending balance	1,930	-
Less: current portion (amounts due within one year)	47	-
	1,883	-

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

10. PROVISIONS

	Years ended	
	November 30, 2022 $	November 30, 2021 $
Product warranties		
Balance, beginning of the year	**545**	834
Arising during the year	**878**	438
Utilized during the year	**(624)**	(717)
Foreign exchange impact and other	**24**	(10)
Balance, end of the year	**823**	545

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.

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, 2022 and November 30, 2021:

	November 30, 2022		November 30, 2021	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**24,491,201**	**21,881**	24,491,201	21,881
Repurchase and cancellation of shares	**(564,300)**	**(524)**	-	-
Outstanding, end of the year	**23,926,901**	**21,357**	24,491,201	21,881

11.2 Stock-based compensation

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

	November 30, 2022 $	November 30, 2021 $
PSU	**(33)**	49
DSU	**161**	17
	128	66

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

Performance share units

The following is a continuity of the changes in the number of PSU's outstanding for the years ended November 30, 2022 and November 30, 2021:

	November 30, 2022		November 30, 2021	
	Number of PSU's	**Weighted average grant price**	Number of PSU's	Weighted average grant price
Outstanding, beginning of the year	**182,333**	**2.16**	108,750	2.26
Granted	**90,000**	**2.35**	98,000	2.03
Forfeited/Cancelled	**(18,375)**	**2.84**	(24,417)	2.10
Outstanding, end of the year	**253,958**	**2.18**	182,333	2.16

During the year ended November 30, 2022, 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.

PSU's outstanding as at November 30, 2022 and November 30, 2021 are as below:

November 30, 2022

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**
2020	**80,208**	**2.15**	**2020 – 2022**	**November 30, 2022**	**-**	**-**
2021	**75,000**	**2.02**	**2021 – 2023**	**November 30, 2023**	**1.0**	**-**
2021	**11,250**	**2.10**	**2021 – 2023**	**November 30, 2023**	**1.0**	**-**
2022	**87,500**	**2.34**	**2022 – 2024**	**November 30, 2024**	**2.0**	**-**
	253,958					**-**

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					-

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

Directors' Deferred share units

The following is a continuity of the changes in the number of DSU's outstanding for the years ended November 30, 2022 and November 30, 2021:

	November 30, 2022		November 30, 2021	
	Number of DSU's	**Weighted average grant price**	Number of DSU's	Weighted average grant price
Outstanding, beginning of the year	**-**	**-**	-	-
Granted	**19,374**	**2.16**	-	-
Outstanding, end of the year	**19,374**	**2.16**	-	-

During the year ended November 30, 2022, 100% of the DSU's granted vested immediately upon grants. DSUs are settled in cash no more than 3 months after the termination of a director.

DSU's outstanding as at November 30, 2022 and November 30, 2021 are as below:

November 30, 2022						
Grant year	**Number of DSU's Outstanding**	**Grant price per DSU $**	**Vesting period**	**Expiry date**	**Number of DSU's vested**	**Number of DSU's exercisable**
2022	**19,374**	**2.16**	**Immediately upon grants**	**Does not expire**	**19,374**	**-**
	19,374				**19,374**	**-**

As at November 30, 2022, accounts payable and accrued liabilities included $118 of liability arising from ungranted DSU's (2021 - $17).

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

11.3 Earnings per share

	Years ended	
	November 30, 2022	November 30, 2021
Numerator		
Net earnings attributable to equity holders of FTG	**$ 698**	$ 256
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 698**	$ 256
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 698**	$ 256
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**24,319,499**	24,491,201
Effect of dilutive securities:		
Number of PSU's	**234,704**	165,938
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,554,203**	24,657,139
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	**$ 0.03**	$ 0.01
Diluted earnings per share	**$ 0.03**	$ 0.01

The PSU's were included in calculating diluted earnings per share for the year ended November 30, 2022 and 2021 as the Corporation had net earnings.

11.4 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 government financing, 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, bank debt and government financing.

The Corporation's managed capital is as follows:

	November 30, 2022 $	November 30, 2021 $
Total equity attributable to FTG's shareholders	**48,330**	50,102
Bank debt	**1,398**	2,262
Government loan	**1,930**	-
Managed capital	**51,658**	52,364

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.

11.5 Normal course issuer bid program

In April 2022, the Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish a normal course issuer bid program (the "NCIB"). The NCIB permits the purchase of up to 1,224,560 of the Corporation's Common Shares representing approximately 5% of its outstanding Common Shares, pursuant to TSX rules, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems permitted by TSX.

The NCIB commenced on April 22, 2022 and will conclude on the earlier of the date on which purchases under the bid have been completed and April 21, 2023. Purchases are made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares will be the market price of such Common Shares at the time of acquisition. For purposes of the TSX rules, a maximum of 6,546 Common Shares may be purchased by the Corporation on any one day under the bid, except where purchases are made in accordance with the "block purchase exception" of the TSX rules.

During the year ended November 30, 2022, the Corporation purchased and cancelled 564,300 Common Shares at a weighted average price of $2.00 per share for a total amount of $1,135 including commission and other transaction costs.

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, 2022, $nil (November 30, 2021 – $327) of Canadian investment tax credits ("ITCs") available.

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

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, 2022 and November 30, 2021 as follows:

	November 30, 2022 $	November 30, 2021 $
Accounting income before tax	**2,342**	2,578
Statutory tax rate	**25%**	25%
	586	645
Change in benefits not recognized	**2,081**	1,202
Non-deductible expenses	**74**	-
Foreign tax rate differences	**(54)**	258
Change in foreign exchange rates	**(739)**	(11)
Non-taxable forgiveness of debt	**-**	(750)
Change in tax rates	**(180)**	913
Book to filing adjustment and others	**(194)**	151
Income tax expense	**1,574**	2,408

13.1 Deferred Income Taxes

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

	November 30, 2022 $	November 30, 2021 $
Opening balance, net	**(789)**	(1,192)
Recovered (charged) to earnings during the year	**1,094**	276
Recovered in other comprehensive income (loss) during the year	**443**	127
Closing balance, net	**748**	(789)

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

The movement in net deferred income tax assets/liabilities during the year ended November 30, 2022 is as follows:

	Balance as at December 1, 2021 $	**Recovered (charged) to earnings $**	**Charged to other comprehensive income $**	**Balance as at November 30, 2022 $**
Deferred income tax assets (liabilities), net:				
Tax losses carried forward	7,401	2,361	-	9,762
Deferred development costs	(51)	5	-	(46)
Tax attributes - R&D Credits	923	219	-	1,142
Other temporary differences	1,612	337	443	2,392
Excess of unamortized intangibles for tax purposes over net book value	(72)	24	-	(48)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(800)	177	-	(623)
Right-of-use assets	(2,377)	992	-	(1,385)
Lease liabilities	2,514	(941)	-	1,573
Capital loss carryforward	2,488	(252)	-	2,236
Deferred income tax assets not recognized	(11,975)	(2,081)	-	(14,056)
Deferred tax payable on investment tax credit recoverable	(452)	253	-	(199)
Deferred income tax assets (liabilities), net:	(789)	1,094	443	748

The movement in net deferred income tax assets/liabilities during 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 development costs	(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)
Deferred income tax assets (liabilities), net:	(1,192)	276	127	(789)

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.

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

The Corporation has the following loss carry-forwards:

Country	**Expiry**	**November 30, 2022**	November 30, 2021
United States	Between 2030 and 2038	**19,275**	18,253
United States	Do not expire	**22,568**	13,719
China	Between 2023 and 2027	**860**	1,024

As of November 30, 2022, no deferred tax asset has been recorded in respect of these losses.

13.2 Income tax expense, net

	Years ended	
	November 30, 2022 $	November 30, 2021 $
Income tax expense/(recovery):		
Current tax expense – in earnings during the year	**2,668**	2,684
Deferred tax expense– in earnings during the year	**(841)**	176
Deferred tax (recovery) (ITCs) – charged to earnings during the year	**(253)**	(452)
Deferred tax expense (recovery) – in other comprehensive income (loss) during the year	**(443)**	(127)
	1,131	2,281

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, 2022 was 67.2% (2021 – 93.4%).

14. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2022 $	November 30, 2021 $
Accounts receivable and contract assets	**(371)**	943
Inventories	**(2,803)**	2,323
Prepaid expenses and other	**1,381**	689
Contract liabilities	**4,046**	(47)
Accounts payable and accrued liabilities, and provisions	**1,406**	(436)
Income tax payable	**712**	(280)
	4,371	3,192

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, 2022 and November 30, 2021.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level include 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, 2022 and November 30, 2021.

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, 2022 and November 30, 2021.

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, 2022. The table below summarizes the unrealized gains (losses) included in the fair values:

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

	November 30, 2022 $	November 30, 2021 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(1,720)**	1,131
Gold forward contracts	**(70)**	(14)
Interest rate swaps	**25**	(58)
Net unrealized gains (losses) of derivative instruments	**(1,765)**	1,059
Tax effect	**441**	(265)
Included in accumulated other comprehensive income	**(1,324)**	794

f) 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, 2022 and 2021:

As at	**Currency sold**	**Currency bought**	**Notional value**	**Forward value at transaction date**	**Forward current value**	**Unrealized gain (loss)**
November 30, 2022	**USD**	**CAD**	**US$56,150**	**$73,053**	**$74,773**	**($1,720)**
November 30, 2021	USD	CAD	US$53,850	$70,368	$69,237	$1,131

As at November 30, 2022 and 2021, 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.

g) Gold forward contracts

As at November 30, 2022, the Corporation had an outstanding commitment to buy 1,050 ounces of gold (2021 – 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.52 per ounce (2021 – $2.29) expiring quarterly from December 2022. 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 loss**
November 30, 2022	**Gold forward contract**	**1,050 ounces**	**$2,645**	**$2,575**	**($70)**
November 30, 2021	Gold forward contracts	600 ounces	$1,376	$1,362	($14)

As at November 30, 2022 and 2021, 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 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.

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

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, 2022 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 2023, 2024 and 2025.

h) 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, 2022 and November 30, 2021. The table below summarizes the Corporation's interest rate swaps:

				Unrealized gain (loss)	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2022**	November 30, 2021
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%	**$6**	($7)
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%	**$11**	($27)
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%	**$8**	($24)
				$25	($58)

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, 2021 – three) interest rate swaps as at November 30, 2022.

Based on the value of interest bearing financial instruments for the year ended November 30, 2022, 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, 2021 – decrease of $nil), 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 a portion of the headcount and operations are located in the 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, 2022 of $270 (year ended November 30, 2021 – net realized gain of $1,250) 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, 2022	November 30, 2021
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**7,863**	**734**	**8,597**	5,148
Accounts receivable and contract assets	**8,751**	**2,478**	**11,229**	11,647
Accounts payable and accrued liabilities	**(2,052)**	**(4,585)**	**(6,637)**	(7,003)
Total bank debt	**(1,398)**	**-**	**(1,398)**	(1,820)
Consolidated statements of financial position exposure, excluding financial derivatives	**13,164**	**(1,373)**	**11,791**	7,972
Reporting date CAD:USD exchange rate			**1.3508**	1.2792

		Years ended		
			November 30, 2022	November 30, 2021
(In thousands of U.S. dollars)	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Net sales	**41,407**	**26,042**	**67,449**	58,476
Operating expenses	**(12,818)**	**(31,917)**	**(44,735)**	(39,358)
Net exposure	**28,589**	**(5,875)**	**22,714**	19,118

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, 2022 and November 30, 2021 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, 2022	November 30, 2021
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	**(132)**	**14**	**(118)**	(80)
Net sales and operating expenses (net exposure)	**(286)**	**59**	**(227)**	(191)
Net exposure	**(418)**	**73**	**(345)**	(271)

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

	November 30, 2022		November 30, 2021	
	RMB	**$**	RMB	$
Cash	**7,431**	**1,416**	901	181
Short-term deposit with a financial institution with maturity of less than 1 year	**2,571**	**490**	4,078	819
Balance sheet exposure	**10,002**	**1,906**	4,979	1,000

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, 2022 would decrease by approximately $19 (November 30, 2021 – decrease by $10). An assumed 1% weakening of the Canadian dollar versus the RMB would have had an equal but opposite effect on these amounts.

16.3 Credit risk

For the year ended November 30, 2022, the Corporation recorded a bad debts expense recovery of $504 against trade receivables in selling, general and administrative expenses in the consolidated statements of earnings (2021 – bad debts recovery of $957). 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, 2022 $	November 30, 2021 $
Trade receivables	**16,165**	15,641
Other receivables	**450**	373
Total accounts receivables	**16,615**	16,014

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

	November 30, 2022 $	November 30, 2021 $
By geographical area:		
Canada	**1,718**	1,374
United States	**11,119**	11,427
Asia	**2,468**	2,040
Europe	**789**	871
Other Americas	**367**	302
Trade receivables	**16,461**	16,014
Expected credit losses ("ECL")	**(296)**	(373)
Trade receivables, net of ECL	**16,165**	15,641
Aging by due dates:		
Current	**15,799**	14,822
Past due 31 to 120 days	**662**	1,157
Past due over 121 days	**-**	35
Trade receivables	**16,461**	16,014
ECL	**(296)**	(373)
Trade receivables, net of ECL	**16,165**	15,641

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

The movements in the ECL are as follows:

	November 30, 2022 **$**	November 30, 2021 $
Balance, beginning of the year	**373**	825
Provision expensed during the year	**395**	807
Provision written off/released during the year	**(504)**	(1,259)
Foreign exchange impact and other	**32**	-
Balance, end of the year	**296**	373

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 11.4*. 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.

The following is the summary of contractual maturities of financial liabilities and obligations, excluding future interest payments but including interest, accrued to November 30, 2022 and November 30, 2021:

					November 30, 2022	November 30, 2021
	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)*	**911**	**482**	**52**	**-**	**1,445**	2,327
Bank debt interest payments	**43**	**14**	**-**	**-**	**57**	135
Accounts payable and accrued liabilities, and provisions	**15,729**	**-**	**-**	**-**	**15,729**	13,803
Contract liabilities	**4,423**	**-**	**-**	**-**	**4,423**	335
Income tax payable	**712**	**-**	**-**	**-**	**712**	-
Lease liabilities *(Note 8.2)*	**1,304**	**1,290**	**2,626**	**398**	**5,618**	5,515
Operating leases	**77**	**44**	**-**	**-**	**121**	277
Government loan *(Note 9.3)*	**-**	**-**	**1,059**	**867**	**1,926**	-
	23,199	**1,830**	**3,737**	**1,265**	**30,031**	22,392

1. Bank debt as at November 30, 2022 is offset by $47 for deferred financing charge (2021 - $65).

17. RELATED PARTY TRANSACTIONS

17.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2022 and 2021, except as disclosed in *Note 11.2*.

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

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, 2022	November 30, 2021
	$	$
Short-term remuneration benefits	**1,591**	1,465
Stock-based payment benefits	**256**	290
	1,847	1,755

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, 2022, wages, salaries and related benefits were $36,326 (2021 – $34,629).

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, 2022, the Corporation received $nil in CEWS funding which was recorded as a reduction to cost of sales and expenses in the consolidated statement of earnings (2021 – $3,088).

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, 2022, the Corporation recorded $314 of AMJP funding as a reduction to cost of sales in the consolidated statement of earnings (2021 – $197).

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.

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

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.

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 November 30, 2022			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Gross segment sales	59,848	34,557	-	94,405
Inter-segment sales	-	-	(4,781)	(4,781)
Net sales	59,848	34,557	(4,781)	89,624
Cost of sales and selling, general and administrative expenses	47,502	30,417	(1,765)	76,154
Research and development costs	5,196	655	-	5,851
Recovery of investment tax credits	(451)	(131)	-	(582)
Depreciation of plant and equipment	3,412	665	182	4,259
Depreciation of right-of-use assets	780	525	45	1,350
Amortization of intangible assets	124	-	-	124
Foreign exchange loss	175	(429)	(63)	(317)
Earnings (loss) before interest and income taxes	3,110	2,855	(3,180)	2,785
Interest expense, net	5	-	(6)	(1)
Accretion on lease liabilities	295	144	5	444
Income tax expense	-	-	1,574	1,574
Net earnings (loss)	2,810	2,711	(4,753)	768
Other operating segments disclosures:				
Additions to plant and equipment	3,102	9,074	10	12,186

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

	Year ended November 30, 2021			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Gross segment sales	52,464	30,206	-	82,670
Inter-segment sales	-	-	(3,305)	(3,305)
Net sales	52,464	30,206	(3,305)	79,365
Cost of sales and selling, general and administrative expenses	40,530	27,747	(767)	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	325	70	200	595
Earnings (loss) before interest and income taxes	5,174	966	(2,980)	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)	4,863	790	(5,483)	170
Other operating segments disclosures:				
Additions to property, plant and equipment	2,632	268	-	2,900

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

	As at November 30, 2022			As at November 30, 2021		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**52,999**	**30,747**	**83,746**	59,525	20,095	76,620
Intangible and other assets	**211**	**188**	**399**	596	209	805
Total segment liabilities	**22,480**	**11,971**	**34,451**	21,845	6,819	28,596

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

	Years ended			
	November 30, 2022	**%**	November 30, 2021	%
Canada	**9,145**	**10.2**	8,079	10.2
United States	**65,153**	**72.7**	59,585	75.1
Asia	**8,502**	**9.5**	6,811	8.6
Europe	**5,428**	**6.1**	4,494	5.7
Other	**1,396**	**1.5**	396	0.4
Total	**89,624**	**100.0**	79,365	100.0

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

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

	As at November 30, 2022			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible and other assets	**184**	**211**	**4**	**399**
Plant and equipment	**4,715**	**5,000**	**1,003**	**10,718**
Right-of-use assets	**5,783**	**3,235**	**445**	**9,463**

	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

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

	Years ended	
	November 30, 2022	November 30, 2021
	$	$
Sale of goods	**88,830**	77,946
Services	**794**	1,607
	89,624	79,553

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

	Years ended	
	November 30, 2022	November 30, 2021
	$	$
At a point of time	**88,830**	77,946
Over time	**794**	1,607
	89,624	79,553

(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, 2022	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	**United States, Europe**	**16,074**	**6,885**	**22,959**	**25.6**
Customer C	**Asia, Canada, United States**	**8,909**	**524**	**9,434**	**10.5**

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

21. SUBSEQUENT EVENTS

On November 17, 2022, the Corporation entered into an agreement to acquire IMI, Inc. ("IMI") based in Haverhill, Massachusetts, north of Boston. The closing of the acquisition is subject to approval by the Committee on Foreign Investment in the United States (CFIUS) and other customary closing conditions. FTG will acquire 100% of the common shares of IMI for cash consideration of approximately $2,000, subject to typical closing adjustments.

On December 24, 2022, the Corporation entered into an agreement to acquire Holaday Circuits, Inc based in Minnetonka, Minnesota, a suburb of Minneapolis. The closing of the acquisition is subject to approval by CFIUS and other customary closing conditions. FTG will acquire 100% of Holaday for cash consideration of approximately $24,000 and contingent consideration up to $6,000, subject to typical closing adjustments.

Subsequent to November 30, 2022, the Corporation's U.S. operations received $3,513 (US$2,585) in funds pursuant to the Employment Retention Credit program within the CARES Act. The funds received are recorded as reductions to cost of sales and selling, general and administrative expenses in the year ending November 30, 2023.

CORPORATE DIRECTORY

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Executive Officer, Oakwest Corporation Limited

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President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna
Corporate Director

David F. Masotti
Corporate Director and Business Consultant

Amy F. Rice
CEO, Sy-Klone International

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President and Chief Executive Officer
Firan Technology Group Corporation

Jamie Crichton
Vice-President, Chief Financial Officer and Corporate Secretary
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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 19, 2023, 10:30am (Toronto Time)
Toronto Board of Trade,
1 First Canadian Place, Suite 350
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