FIRAN TECHNOLOGY GROUP CORPORATION

Second Quarter Report
For the period ended
May 29, 2020

July 7, 2020

July 7, 2020

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 three months ended May 29, 2020 (second quarter of fiscal 2020 or Q2 2020) is as of July 7, 2020 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 interim condensed consolidated financial statements of the Corporation for the second quarter of fiscal 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Corporation assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and MD&A of the Corporation for the year ended November 30, 2019 (Fiscal 2019) and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in fiscal 2019 MD&A. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 13, 2020, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

CORE BUSINESS AND STRATEGY

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

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

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the Global marketplace. Currently, FTG Circuits has manufacturing operations in Canada (Toronto, Ontario), USA (Chatsworth, California, and Fredericksburg, Virginia), as well as a joint venture and sourcing arrangements with operating facilities in China. In July, 2019, FTG acquired Colonial Circuits, Inc., which has been subsequently renamed FTG Circuits Fredericksburg Inc. ("Colonial" or "Circuits Fredericksburg"). 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, USA. and Tianjin, China, and an engineering office in Fort Worth, Texas, USA. 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.

For the past number of years, FTG has had a strategic goal of expanding its operations in both the operating segments. In FTG's printed circuit board business represented by the FTG Circuits operating segment, many of its customers now look at FTG as an important part of their global sourcing plans and this has led to growth in the business. In FTG's cockpit product business represented by the FTG Aerospace operating segment, FTG has seen similar positive reactions from customers and again this is leading to increased opportunities.

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, reducing its exposure to the ever changing value of the Canadian dollar, and becoming a more strategic supplier to many of its customers. FTG has become a truly 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 it 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.

RESULTS OF OPERATIONS FOR THE SECOND QUARTER OF 2020 FISCAL YEAR

(thousands of dollars except per share amounts)	**Q2 2020**	Q2 2019
Sales	**$ 26,822**	$ 32,235
Gross margin	**8,674**	9,717
Net earnings (loss) to equity holders of FTG	**2,034**	2,482
Number of Common and preferred shares, in aggregate (in thousands)	**24,491**	24,491
Net earnings (loss) per share – basic	**$0.09**	$0.11
Net earnings (loss) per share –diluted	**$0.08**	$0.10
Total assets	**90,810**	71,540
Net, cash (bank debt) position	**$ 6,410**	$ (2,222)

Sales

Sales for the second quarter of fiscal 2020 were $26,822, a decrease of $5,413 or 16.8% from the second quarter of fiscal 2019. The significant variances in second quarter sales in 2020 as compared to 2019 were as follows:

- The Circuits Fredericksburg operation, acquired in July, 2019 and included in the FTG Circuits business segment, contributed approximately $2,600 of sales as compared to $nil in the prior year quarter.
- Weakening of the Canadian dollar (CAD) by $0.06 relative to the US dollar ("USD") added approximately $1,000 to reported sales upon translation of USD sales into CAD. This impact was partially offset by net realized foreign exchange ("f/x") loss of $518 in Q2 2020 ($128 - Q2 2019 on foreign exchange forward contracts ("f/x forward contracts"). These contracts were designated as cash flow hedges during the period ended May 29, 2020, which reduced sales and profitability in the second quarter of fiscal 2020 as compared to same period in the last year.
- Shipments of products for the Simulator market, which is an important product line of the FTG Aerospace segment, were approximately $3,000 lower in the second quarter of 2020 as compared to the prior year. With a current backlog of orders amounting to $6,300, Simulator revenues are expected to strengthen in the second half of fiscal 2020.
- All FTG sites were negatively impacted by COVID-19. The Aerospace sites, in particular, were negatively impacted by extended component lead times, as a result of COVID-19 impacts on the supply chain.

The following table compares net sales by reportable segment for the second quarter and year-to-date periods for fiscal 2020 and 2019.

	Second Quarter		Year-to-Date	
	2020	2019	**2020**	2019
Circuits	**$ 19,599**	$ 19,265	**$ 36,058**	$ 34,472
Aerospace	**7,223**	12,970	**15,302**	23,153
Net sales	**$ 26,822**	$ 32,235	**$ 51,360**	$ 57,625

Net sales in the Circuits segment for the second quarter of fiscal 2020 increased by $334 or 1.7% mainly as a result of the Circuits Fredericksburg acquisition which contributed approximately $2,600 in sales, partially offset by lower sales from the Circuits Chatsworth site. Net sales to the top five customers represented 58.8% of the FTG Circuits net segment sales for the second quarter of fiscal 2020 (69.1% in 2019).

Net sales in the Circuits segment on a year to date basis in fiscal 2020 increased by $1,586 or 4.6% as a result of the Circuits Fredericksburg acquisition which contributed $4,700 in sales, partially offset by lower sales from the Circuits Chatsworth site. Net sales to the top five customers represented 61.7% of the FTG Circuits net segment sales a year to date basis in fiscal 2020 (70.2% in 2019).

The decrease in Aerospace segment net sales for the second quarter of fiscal 2020 of $5,747 or 44.3% is the result of $3,000 reduced sales in the Simulator market and the COVID-19 related impacts on components supply and our operations at all Aerospace sites. Net sales to the top five customers represented 62.1% of the FTG Aerospace net segment sales for the second quarter of fiscal 2020 (53.6% in 2019).

The decrease in Aerospace segment net sales on a year to date basis in fiscal 2020 of $7,851 or 33.9% is the result of $5,000 of reduced sales in the Simulator market and the COVID-19 related impacts in components supply and our operations at all Aerospace sites. Net sales to the top five customers represented 57.1% of the FTG Aerospace net segment sales on a year to date basis in fiscal 2020 (53.4% in 2019).

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

	Second Quarter				Year-to-Date			
	2020	**%**	2019	%	**2020**	**%**	2019	%
Canada	**$ 1,852**	**6.9**	$ 2,901	9.0	**$ 3,591**	**7.0**	$ 5,558	9.6
United States	**21,065**	**78.5**	23,363	72.5	**39,397**	**76.7**	41,093	71.3
Asia	**2,797**	**10.4**	4,428	13.7	**6,053**	**11.8**	8,168	14.2
Europe	**873**	**3.3**	1,227	3.8	**1,781**	**3.5**	2,187	3.8
Other	**235**	**0.9**	316	1.0	**538**	**1.0**	619	1.1
Total	**$ 26,822**	**100.0**	$ 32,235	100.0	**$ 51,360**	**100.0**	$ 57,625	100.0

The percentage of FTG's sales derived from U.S. based customers has increased for both Q2 2020 and the YTD period with the acquisition of the Circuits Fredericksburg site in July, 2019, which sells primarily in the U.S. Simulator products are delivered to customers in Canada, the United States and Asia, thus reduced Simulator sales negatively impact the relative mix of each of these geographic regions.

The Corporation's top five customers represent 54.1% of net sales for the second quarter of fiscal 2020 as compared to 52.5% for the same period last year. The Corporation's two largest customers accounted for 24.0% (22.3% in 2019) and 9.0% (8.5% in 2019) of net sales, respectively for the second quarter of fiscal 2020. On a year-to-date basis in fiscal 2020, the Corporation's top five customers represent 55.4% of net sales as compared to 53.0% for the same period last year. On a year-to-date basis, the Corporation's two largest customers accounted for 24.5% (22.7% in 2019) and 9.8% (9.3% in 2019) of net sales, respectively.

Gross Margin

Gross margin on a consolidated basis decreased by $1,043 or 10.7% for the second quarter of fiscal 2020 to $8,674 or 32.3% of net sales compared to $9,717 or 30.1% of net sales for the same period last year. On a year-to-date basis in fiscal 2020, gross margin on a consolidated basis decreased by $3,837 or 23.3% to $12,634 or 24.6% of net sales compared to $16,471 or 28.6% of net sales for the same period last year. The decrease in gross margin dollars is primarily the result of reduced operating leverage on lower sales volumes, particularly the Simulator market. Strong cost controls, the Canada Emergency Wage Subsidy and high manufacturing throughput each improved the gross margin percentage for Q2 2020 as compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the second quarter of fiscal 2020 were $4,056 or 15.1% of net sales as compared to $4,119 or 12.8% of net sales for the same period last year. The decrease of $63 during the second quarter of fiscal 2020 is the result of added headcount at the Circuits Fredericksburg site acquired in July 2019, which was offset by lower professional fees and reduced employee termination costs.

On a year-to-date basis in fiscal 2020, SG&A expenses were $7,487 or 14.6% of net sales as compared to $7,361 or 12.8% of net sales for the same period last year.

Research and Development Costs

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 for the second quarter of fiscal 2020 were $1,583 or 5.9% of net sales as compared to $1,168 or 3.6% of net sales for the same period last year. On a year-to-date basis in fiscal 2020, R&D costs were $2,664 or 5.2% of net sales as compared to $2,284 or 4.0% of net sales for the same period last year.

R&D costs were higher in the current quarter and on a year-to-date basis, in which both U.S and Canadian operations focused on process and product improvements as well as testing of new techniques, technology and special materials.

Recovery of Investment Tax Credits

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. The Corporation has, as at May 29, 2020, $2,506 (November 30, 2019 - $3,035) of Canadian investment tax credits available to be applied against future income taxes payable in Canada. Incremental ITCs of $203 have been recognized as a recovery during the second quarter ended May 29, 2020 ($10 net reversal in 2019). On a year-to-date basis in fiscal 2020, incremental ITCs of $375 ($195 net recovery in 2019) have been recognized as a recovery.

Depreciation of Plant and Equipment

Depreciation of plant and equipment for the second quarter of fiscal 2020 was $1,123, an increase of $224 or 24.9% as compared to depreciation of $899 for the same period last year. The increase in depreciation during the second quarter of fiscal 2020 includes $154 related to the Circuits Fredericksburg operation that was not present in the same period last year and the remaining increase of $70 was due to the timing of capital expenditures being put into service.

Depreciation of plant and equipment on a year-to-date basis in fiscal 2020 was $2,163, an increase of $393 or 22.2% as compared to depreciation of $1,770 for the same period last year. The increase in depreciation on a year-to-date basis in fiscal 2020 includes $291 related to the Circuits Fredericksburg operation that was not present in the same period last year and the remaining increase of $102 was due to the timing of capital expenditures being put into service.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets for the second quarter of fiscal 2020 was $414 and on a year-to-date basis in fiscal 2020 was $811, as compared to $nil for the same periods last year. Effective December 1, 2019, the Corporation adopted IFRS 16, Leases. Subsequent to the adoption, operating costs decreased due to the removal of rent expense for leases, depreciation expense increased due to depreciation of right-of-use assets, and finance costs increased due to accretion of the lease liability.

Amortization/Impairment of Intangible Assets

Amortization of intangible assets for the second quarter of fiscal 2020 was $97, a decrease of $175 or 64.3% as compared to amortization of $272 for same period last year. The decrease in amortization was mainly due to the effect of the impairment of intangibles assets recognised in the first quarter of fiscal

2020 (per discussion below) offset by increase in amortization of $34 related to the acquisition of the Circuits Fredericksburg business that was not present in the same period last year.

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

Amortization of intangible assets on a year-to-date basis in fiscal 2020 was $396, a decrease of $147 or 27.1% as compared to amortization of $543 for same period last year.

Interest Expense

In the second quarter of fiscal 2020, interest costs were $57, a decrease of $33 or 36.7% as compared to $90 for the same period last year. On a year-to-date basis in fiscal 2020, interest costs were $98, a decrease of $69 or 41.3% as compared to $167 for the same period last year. The decrease in interest expense in the second quarter and on a year-to-date basis in fiscal 2020 was mainly due to the decrease in bank debt as compared to same periods last year.

Accretion on Lease Liabilities

Accretion on lease liabilities for the second quarter of fiscal 2020 was $141, and on a year-to-date basis in fiscal 2020 was $278, as compared to $nil for the same periods last year. As a result of the adoption of IFRS 16 effective December 1, 2019, operating costs decreased due to the removal of rent expense for leases, depreciation expense increased due to depreciation of right-of-use assets, and finance costs increased due to accretion of the lease liability.

Foreign Exchange (Gain) Loss

The foreign exchange (gain) for the second quarter of fiscal 2020 was ($464) compared to a foreign exchange loss of $140 for the same period last year. The foreign exchange (gain) for the second quarter of fiscal 2020 was mainly as a result of net realized (gain) of ($92) (2019 – net (gain) of ($15)) on foreign exchange contracts and net (gain) of ($372) (2019 – net loss of $155) on the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets. These foreign exchange fluctuations are due to the variance in US dollar balances held by the Corporation, the changes in average and quarter-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place. The quarter-end Canadian dollar, as compared to the U.S. dollar exchange rate, depreciated by approximately $0.0358 or 2.7% from 1.3429 as at February 28, 2019 to 1.3787 as at May 29, 2020, as compared to an appreciation of approximately $0.0267 or 2.0% from 1.3260 as at March 1, 2019 to 1.3527 as at May 31, 2019.

On a year-to-date basis in fiscal 2020, there was a net foreign exchange (gain) of ($415) as compared to net foreign exchange loss of $296 for the same period last year.

In the second quarter of fiscal 2020 and on a year-to-date basis, a net realized loss of $518 and $831 respectively, was recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges, this compares to a net realized loss of $128 and $200 recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges in the second quarter of fiscal 2019 and on a year to date in fiscal 2019, respectively.

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

	Second Quarter		Year-to-Date	
(thousands of dollars)	**2020**	2019	**2020**	2019
Sales before adjustment for net realized gain (loss) on f/x forward contracts designed as cash flow hedges	**$ 27,340**	$ 32,363	**$ 52,191**	$ 57,825
Adjustment for net realized (loss) gain on hedged f/x forward contracts designed as cash flow hedges	**(518)**	(128)	**(831)**	(200)
Net sales	**26,822**	32,235	**51,360**	57,625
Costs of sales	**16,678**	21,659	**35,877**	39,467
Depreciation of plant and equipment	**1,069**	859	**2,063**	1,687
Depreciation of right-of-use assets	**401**	-	**786**	-
Total cost of sales	**18,148**	22,518	**38,726**	41,154
Gross margin	**8,674**	9,717	**12,634**	16,471
Gross margin %	**32.3%**	30.1%	**24.6%**	28.6%
Gross margin before f/x gain (loss)	**$ 9,192**	$ 9,845	**$ 13,465**	$ 16,671
Gross margin % before f/x gain (loss)	**33.6%**	30.4%	**25.8%**	28.8%

Income Tax Expense

During the three months period ended May 29, 2020, current income tax of $1,261 (2019 – current income tax of $1,294) was recognised in the interim condensed consolidated statement of earnings (loss) which included current income tax expense of $1,233 (2019 - $1,272) related to income tax on earnings in the Canadian entity, and expense of $9 (2019 - $3) related to taxes for the U.S. subsidiaries, and withholding taxes of $19 (2019 – $19) related to source deductions on remittances from the Chinese subsidiary to the Corporation.

On a year-to-date basis in fiscal 2020, current income tax of $1,695 (2019 – current income tax of $2,071) was recognised in the interim condensed consolidated statement of earnings (loss) which included current income tax expense of $1,647 (2019 - $2,025) related to income tax on earnings in the Canadian entity, and expense of $12 (2019 - $6) related to taxes for the U.S. subsidiaries, and withholding taxes of $36 (2019 – $40) related to source deductions on remittances from the Chinese subsidiary to the Corporation.

Deferred tax expense of $41 ($54 in 2019) related to the tax effect of recovery of investment tax credits of $203 ($265 in 2019) in the second quarter of fiscal 2020. On a year-to-date basis in fiscal 2020, deferred tax expense of $76 ($84 in 2019) related to the tax effect of recovery of investment tax credits of $375 ($415 in 2019).

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the period ended May 29, 2020 was 25% (2019: 25%) which was based on projected annualized Manufacturing and Processing rates.

Net Earnings

The net earnings for the second quarter of fiscal 2020 was $1,998 which included net earnings of $2,034 attributable to equity holders of FTG, offset by net (loss) of ($36) relating to non-controlling interests.

The net earnings for the second quarter of fiscal 2020 attributable to equity holders of FTG translated into basic earnings per share of $0.09 and diluted earnings per share of $0.08

The net earnings for the second quarter of fiscal 2019 were $2,450 which included net earnings of $2,482 attributable to equity holders of FTG, offset by a net (loss) of ($32) relating to non-controlling interests. The net earnings for the second quarter of fiscal 2019 attributable to equity holders of FTG translated into basic earnings per share of $0.11 and diluted earnings per share of $0.10.

On a year-to-date basis, the net (loss) for 2020 was ($631) which included net (loss) of ($563) attributable to the equity holders of FTG offset by net (loss) of ($68) relating to non-controlling interest. The net earnings on a year-to-date basis in 2020 attributable to the equity holders of FTG translated into basic and diluted (loss) per share of ($0.02).

On a year-to-date basis, the net earnings for 2019 were $3,623 which included net earnings of $3,700 attributable to the equity holders of FTG offset by net (loss) of ($77) relating to non-controlling interest. The net earnings on a year-to-date basis in 2019 attributable to the equity holders of FTG translated into basic earnings per share of $0.16 and diluted earnings per share of $0.15.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

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

	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	**Q2-20**
Circuit Segment Sales	$16,395	$17,362	$15,207	$19,265	$18,336	$18,634	$16,457	**$19,599**
Aerospace Segment Sales	8,606	10,651	10,183	12,970	9,617	8,441	8,081	**7,223**
Total Net Sales	25,001	28,013	25,390	32,235	27,953	27,075	24,538	**26,822**
Earnings (Loss) before income taxes	1,574	2,006	1,980	3,798	2,838	1,112	(2,160)	**3,300**
Net Earnings (Loss) Attributable to Equity holders of FTG	647	1,226	1,218	2,482	1,783	575	(2,597)	**2,034**
Earnings (Loss) per share: Basic	$0.03	$0.05	$0.05	$0.11	$0.08	$0.03	($0.11)	**$0.09**
Earnings (Loss) per share: Diluted	$0.03	$0.05	$0.05	$0.10	$0.07	$0.03	($0.11)	**$0.08**
Quarterly average CDN$ U.S.$ exchange rates	$1.3106	$1.3011	$1.3322	$1.3401	$1.3214	$1.3223	$1.3169	**$1.3996**

The Corporation was profitable during all of the last eight quarters except for the first quarter of fiscal 2020.

The Corporation's net sales over the last eight quarters continue to be derived from major technological and market leaders in the aviation, defence and other high technology industries, each following their own cycles. The principal markets served over the last eight quarters continue to be the commercial aerospace and military markets primarily in Canada and the United States, though FTG continues to increase its activity in Europe and Asia.

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

As at May 29, 2020, the Corporation's primary sources of liquidity totalled $57,167 ($51,154 as at November 30, 2019), made up of cash, accounts receivable, contract assets, income taxes receivable and inventory but excluding US$10,000 (or equivalent in Canadian dollars) of availability remaining on its revolving line of credit and approximately US$7,100 (or equivalent in Canadian dollars) of availability remaining on its revolving term loan with its primary lender as at May 29, 2020. Working capital at May 29, 2020 was $33,022 as compared to $28,603 at November 30, 2019.

Accounts receivable days outstanding were 66 as at May 29, 2020 compared to 70 as of November 30, 2019, inventory turns were 2.9 as at May 29, 2020 as compared to 3.7 as of November 30, 2019, and accounts payable days outstanding were 98 as at May 29, 2020 as compared to 81 as of November 30, 2019. 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 May 29, 2020.

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 May 29, 2020.

	PAYMENTS DUE IN $000'S					
CONTRACTUAL OBLIGATIONS	**Total**	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Beyond Fourth Year**
Bank debt[1] (committed facility)	4,582	4,582	-	-	-	-
Bank debt[2] (PPP Loans)	3,266	1,088	2,178	-	-	-
Accounts payable and accrued liabilities, and provisions	17,902	17,902	-	-	-	-
Contract liabilities	3,288	3,288	-	-	-	-
Lease liabilities	13,363	1,755	1,774	1,520	1,355	6,959
Operating Leases	835	400	234	117	84	-

1. Bank debt as at May 29, 2020 is offset by $6 for deferred financing charge ($12 as at November 30, 2019).

2. Bank debt as at May 29, 2020 includes (i) accretion of interest of $10 ($nil as at November 30, 2019), (ii) offset by $4 for amortization of government grant ($nil as at November 30, 2019).

In November, 2015, the Corporation had entered into a five year committed credit facility with a major financial institution, which expires in November, 2020. Consequently, all outstanding bank debt pursuant to the committed facility has been classified on the balance sheet as current as of May 29, 2020 and all principal payments are reflected as less than 1 year.

In July, 2020, the Corporation entered into an amended and restated two-year committed credit facility with the same major financial institution, which will expire in July, 2022. The amended credit facility is a US$20.0 million committed revolving credit facility consisting of a US$10.0 million operating credit for working capital purposes and a US$10.0 million term credit to fund capital expenditures. The key terms of this credit facility are comparable to the previous one.
In May, 2020, the Corporations' US subsidiaries, FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc., closed on an unsecured bank debt guaranteed under the Paycheck Protection

Program (“PPP”) in the total amount of US $2,369 or $3,266 (“PPP Loans”). The PPP Loans specifically support the ongoing payroll costs and certain operating costs of these subsidiaries, bear interest at a fixed rate of 1% per annum, with a maturity date of two years from the date of advance. PPP Loans require blended principal and interest payments commencing six months following the date of advance. PPP Loans may be forgiven in whole or in part, to the extent permitted under the program.

Government subsidies

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. Accordingly, the Corporation applied for the CEWS to the extent it met the requirements to receive the subsidy and during the three months ended May 29, 2020, recorded $823 in government subsidies as a reduction to operating expenses in the interim condensed consolidated statement of earnings (loss).

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 May 29, 2020. The forward current value (fair value) of these financial instruments as at May 29, 2020 had an net unrealized loss of $3,094 (a unrealized loss on foreign exchange forward contracts of $3,036, and a unrealized loss on interest rate swaps of $179, offset by an unrealized gain on gold forward contracts of $121), before taxes of $774, and included in other comprehensive income (loss), and relates to derivatives designated as cash flow hedges. The forward current value (fair value) of these financial instruments as at November 30, 2019 had an net unrealized loss of $2,234 (a unrealized loss on foreign exchange forward contracts of $2,127, and a unrealized loss on gold forward contracts of $30, and a unrealized loss on interest rate swaps of $77), before taxes of $558, and included in other comprehensive income (loss), and relates to derivatives designated as cash flow hedges.

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($2) (November 30, 2019 – unrealised gain of $1) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($31) (November 30, 2019 - unrealized gain of $10) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($81) (November 30, 2019 - unrealized (loss) of ($48) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($65) (November 30, 2019 - unrealized (loss) of ($40) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

For the second quarter of fiscal 2020, the Corporation invested $1,439 in net capital expenditures which mainly included additions to deburring line and etchboard line, sprint machines and various upgrades to machinery and equipment at its existing facilities. The Corporation also invested in an automated, highly secure system to ensure that critical Information Technology data and software is backed up and retrievable.

For the second quarter of 2019, the Corporation invested $610 in net capital expenditures which included expenditures towards new servers, network switches and software, and the replacement of a portion of the roof at its Toronto circuit's facility. Also included in the quarter capital expenditures were various upgrades to machinery and equipment and leasehold improvements at its existing facilities.

On a year-to-date basis in 2020, the Corporation invested $2,485 in net capital expenditures which mainly included various upgrades to machinery and equipment and leasehold improvements at its existing facilities as well as the items listed above. On a year-to-date basis in 2019, the Corporation invested $1,001 in net capital expenditures which mainly included various upgrades to machinery and equipment and leasehold improvements at its existing facilities as well as the items listed above.

CASH FLOW

Operating Activities

Operating activities in the second quarter of fiscal 2020 provided net cash inflow of $4,414 as compared to $2,905 in the second quarter of fiscal 2019.

On a year-to-date basis in 2020 cash provided by operating activities amounted to $8,739 as compared to cash provided of $1,499 in the same period last year. The primary period over period variances in cash flow from operating activities are a $7,813 increase due to timing impacts within the individual components of non-cash working capital offset by decrease in earnings. The favourable variance in changes in non-cash working capital on a year-to-date basis in 2020, relative to same period last year, is primarily result of lower accounts receivables and higher contract liabilities. The increased balance in contract liabilities is the result of receiving advance payments on Simulator business contracts.

Investing Activities

Investing activities in second quarter of fiscal 2020 resulted in the net use of cash of $1,396 which included $1,439 for capital expenditures, offset by $43 towards recovery of contract and other costs. Investing activities in the second quarter of 2019 resulted in the net use of cash of $611 which included $610 for net capital expenditures, and $1 for deferred development costs related to existing programs.

Investing activities on a year-to-date basis in fiscal 2020 resulted in the net use of cash of $2,436 which included $2,485 for capital expenditures, offset by $49 towards additions of contract and other costs. Year-to-date cash usage in 2019 amounted to $1,020 for net additions to plant and equipment of $1,001, and $19 for deferred development costs related to existing programs.

Financing Activities

Cash provided by financing activities in the second quarter of fiscal 2020 resulted in a cash inflow of $1,888 which included $3,309 of proceeds from bank debt (PPP Loans), offset by $535 towards repayments of bank debt to FTG's principal financial institution, $466 towards lease liability payments, and $420 for repurchase of common shares on exercise of PSU's. Cash used by financing activities in the second quarter of 2019 resulted in a cash outflow of $1,507 which included decrease in bank indebtedness by $995, and repayments of long-term bank debt of $512.

On a year-to-date basis in 2020, financing activities resulted in a cash inflow of $939 which included $3,309 of proceeds from bank debt (PPP Loans), offset by $1,038 towards repayments of bank debt to FTG's principal financial institution, $912 towards lease liability payments, and $420 for repurchase of common shares on exercise of PSU's. On a year-to-date basis in 2019, financing activities resulted in a cash outflow of $1,021 towards repayments of bank debt.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the second quarter and year-to-date of fiscal 2020 and 2019.

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 8 of the interim condensed consolidated financial statements as at May 29, 2020 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which are outstanding a series of convertible preference shares, Series 1 (the "Preferred Shares"). As at May 29, 2020 and November 30, 2019, the Corporation had outstanding 22,716,201 Common Shares and 1,775,000 Preferred Shares. The Preferred Shares are convertible into Common Shares on a one-for-one basis. Each Common Share and Preferred Share carries the right to one vote. Holders of Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and shall be entitled to receive an amount equal to $2.50 per Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

During the three months and six months ended May 29, 2020, the Corporation granted 100,000 performance share units ("PSU's") (2019 – 22,500). PSU's vest based on the achievement of a non-market performance condition. PSU's 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 PSU's 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.

As at May 29, 2020, nil of the 117,500 outstanding PSU's had vested/exercisable. As at November 30, 2019, 184,444 of the 206,944 outstanding PSU's had vested/exercisable which were exercised and settled during the three months ended May 29, 2020. The PSU settlement resulted in a transfer of $760 from contributed surplus to share capital representing the stock compensation expense that was recognized in contributed surplus over the three years from 2017 to 2019 related to these PSUs, which was offset by cash outflow of $420 related to the common share repurchase and issuance on settlement of these PSU's.

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 13, 2020 which is available on SEDAR at www.sedar.com.

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

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

ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation has adopted IFRS 16 *Leases* ("IFRS 16") Effective December 1, 2019. The Corporation adopted IFRS 16 under the modified retrospective approach and did not restate the comparatives for 2019. At transition, the Corporation applied the practical expedient available to the Corporation as lessee that allows the continuation of the lease assessments under IAS 17 and IFRIC 4 for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts existing as at December

1, 2019 and not expiring before November 30, 2020. Refer to Note 3 and Note 4 of the interim condensed consolidated financial statements as at May 29, 2020 for additional details.

ETHICAL BUSINESS CONDUCT

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

OUTLOOK

The world economy and the outlook for the Aerospace industry is very uncertain at this time. By far the largest negative impact is the spread of COVID-19 around the world. This has resulted in an almost complete halt to air travel, and has hurt the overall world economy badly, but at an as yet undetermined amount.

On a global scale, the airline industry is dramatically weakened with huge drops in passenger travel. Both the demand for and the capacity to finance new aircraft in the short term is expected to be reduced.

Specifically at FTG, the COVID-19 pandemic is causing production disruptions at all sites. FTG's operations in Tianjin China were closed for February. While they have subsequently reopened, there are a number of rules and regulations that must be followed that have some negative impacts on operations.

In California and Virginia, both States closed many businesses and ordered people to stay at home. FTG's Chatsworth and Fredericksburg Operations were deemed essential businesses, due to the defense activity at these sites and stayed open. The States' operating restrictions has resulted in some suppliers closing, and rules FTG has implemented to keep employees safe, are impacting operations.

More recently across the US, the resurgence of COVID-19 in many States makes the coming months more uncertain as actions could be taken to restrict operations in any renewed effort to get the pandemic under control.

In Canada, again a similar situation has happened. FTG's operations in Toronto are deemed essential businesses, and remain operational, however government and self-imposed guidelines are negatively impacting operations.
In January of 2020, Boeing halted production of the 737 MAX aircraft for an undetermined period of time as they continue to try and get that aircraft re-certified for service. Boeing has resumed production, at a low rate, and it working with the FAA to complete flight testing to enable the plane to re-enter service. But the expectation is production rates through 2020 will remain low.

Due to decreased demand for new planes, both Boeing and Airbus have announced plans to cut production rates across all aircraft and to reduce staffing levels. While not fully certain, production cuts in the 30-40% range are likely. These cuts could be in place for 1-2 years.

And in Canada, Bombardier has entered into sales agreements to sell many of their operations to others. The Q-400 program has been sold, their ownership in the A220 has been sold, and the regional jet business is being sold. While this is not expected to negatively impact FTG, it has created more uncertainty in the market.

The defense market is not expected to be significantly impacted by the COVID-19 pandemic. In fact, defense spending is one tool governments can use to stimulate the global economy.

There are other economic factors, outside the aerospace and defense market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar could also be a factor as about 50-60% of FTG's operations are located in Canada but FTG competes primarily in U.S. dollars. Strengthening of the Canadian dollar would hurt FTG's competitiveness whereas a weakening of the Canadian dollar, as seen recently, would enhance FTG's competitiveness.

CONTROLS AND PROCEDURES

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.

Internal control over financial reporting

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.

During the second quarter ended May 29, 2020, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Caution Regarding Forward-Looking Statements

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

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

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; 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; 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 Corporation's 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 July 7, 2020 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 13, 2020 which is available on SEDAR at www.sedar.com.

FIRAN TECHNOLOGY GROUP CORPORATION

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by management and approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditors.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)		**May 29, 2020**		November 30, 2019
ASSETS				
Current assets				
Cash	**$**	**14,258**	$	7,647
Accounts receivable		**19,308**		21,085
Contract assets		**317**		432
Inventories		**23,284**		21,990
Prepaid expenses		**1,518**		1,770
		58,685		52,924
Non-current assets				
Plant and equipment, net		**14,406**		13,830
Right-of-use assets *(Note 3, Note 4)*		**13,187**		-
Deferred income tax assets		**724**		724
Investment tax credits receivable		**2,506**		3,035
Deferred development costs		**218**		279
Intangible assets and other assets, net *(Note 10)*		**1,084**		2,585
Total assets	**$**	**90,810**	$	73,377
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**16,998**	$	17,104
Provisions		**904**		946
Contract liabilities		**3,288**		216
Current portion of bank debt *(Note 8.2)*		**5,603**		5,416
Current portion of lease liabilities *(Note 3, Note 4)*		**1,755**		-
Income tax payable		**115**		639
		28,663		24,321
Non-current liabilities				
Bank debt *(Note 8.2)*		**2,245**		-
Lease liabilities *(Note 3, Note 4)*		**11,608**		-
Deferred tax payable		**1,373**		1,297
Total liabilities		**43,889**		25,618
Equity				
Retained earnings	**$**	**17,182**	$	17,745
Accumulated other comprehensive loss		**(1,457)**		(1,554)
		15,725		16,191
Share capital				
Common Shares *(Note 5.1)*		**19,663**		19,323
Preferred Shares		**2,218**		2,218
Contributed surplus		**8,264**		8,933
Total equity attributable to FTG's shareholders		**45,870**		46,665
Non-controlling interest		**1,051**		1,094
Total equity		**46,921**		47,759
Total liabilities and equity	**$**	**90,810**	$	73,377

See accompanying notes.

Interim Condensed Consolidated Statements of Earnings (Loss)

(Unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended **May 29, 2020**	 May 31, 2019	Six months ended **May 29, 2020**	 May 31, 2019
Sales	**$ 26,822**	$ 32,235	**$ 51,360**	$ 57,625
Cost of sales				
Cost of sales	**16,678**	21,659	**35,877**	39,467
Depreciation of plant and equipment	**1,069**	859	**2,063**	1,687
Depreciation of right-of-use assets *(Note 3, Note 4)*	**401**	-	**786**	-
Total cost of sales	18,148	22,518	**38,726**	41,154
Gross margin	**8,674**	9,717	**12,634**	16,471
Expenses				
Selling, general and administrative	**4,056**	4,119	**7,487**	7,361
Research and development costs	**1,583**	1,168	**2,664**	2,284
Recovery (reversal) of investment tax credits, net	**(203)**	10	**(375)**	(195)
Depreciation of plant and equipment	**54**	40	**100**	83
Depreciation of right-of-use assets *(Note 3, Note 4)*	**13**	-	**25**	-
Amortization of intangible assets	**97**	272	**396**	543
Interest expense on bank debt, net	**57**	90	**98**	167
Accretion on lease liabilities *(Note 3, Note 4)*	**141**	-	**278**	-
Stock based compensation	**40**	80	**91**	154
Foreign exchange (gain) loss *(Note 8.2)*	**(464)**	140	**(415)**	296
Impairment of intangible assets (*Note 10)*	**-**	-	**1,145**	-
Total expenses	**5,374**	5,919	**11,494**	10,693
Earnings before income taxes	**3,300**	3,798	**1,140**	5,778
Current income tax expense	**1,261**	1,294	**1,695**	2,071
Deferred income tax expense	**41**	54	**76**	84
Total income tax expense	**1,302**	1,348	**1,771**	2,155
Net earnings (loss)	**$ 1,998**	$ 2,450	**$ (631)**	$ 3,623
Attributable to:				
Non-controlling interest	**$ (36)**	$ (32)	**$ (68)**	$ (77)
Equity holders of FTG	**$ 2,034**	$ 2,482	**$ (563)**	$ 3,700
Earnings (loss) per share, attributable to the equity holders of FTG				
Basic *(Note 5.2)*	**$ 0.09**	$ 0.11	**$ (0.02)**	$ 0.16
Diluted *(Note 5.2)*	**$ 0.08**	$ 0.10	**$ (0.02)**	$ 0.15

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (loss)

(Unaudited) (in thousands of Canadian dollars)	Three months ended **May 29, 2020**	 May 31, 2019	Six months ended **May 29, 2020**	 May 31, 2019
Net earnings (loss)	**$ 1,998**	$ 2,450	**$ (631)**	$ 3,623
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	**518**	302	**766**	290
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges *(Note 8.1, Note 8.2)*	**(478)**	(1,258)	**(860)**	(1,325)
Change in tax impact	**120**	314	**216**	331
	160	(642)	**122**	(704)
Total comprehensive income (loss)	**$ 2,158**	$ 1,808	**$ (509)**	$ 2,919
Attributable to:				
Equity holders of FTG	**$ 2,187**	$ 1,851	**$ (466)**	$ 2,967
Non-controlling interest	**$ (29)**	$ (43)	**$ (43)**	$ (48)

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

Six months ended May 29, 2020	**Attributed to the equity holders of FTG**							
(Unaudited) (in thousands of Canadian dollars)	**Common shares**	**Preferred shares**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2019	**$ 19,323**	**$ 2,218**	**$ 17,745**	**$ 8,933**	**$ (1,554)**	**$ 46,665**	**$ 1,094**	**$ 47,759**
Net (loss)	**-**	**-**	**(563)**	**-**	**-**	**(563)**	**(68)**	**(631)**
Stock-based compensation	**-**	**-**	**-**	**91**	**-**	**91**	**-**	**91**
Transfer from contributed surplus to share capital for PSU's exercised *(Note 5.1)*	**760**			**(760)**	**-**	**-**	**-**	**-**
Common shares repurchase and issue on exercise of PSU's *(Note 5.1)*	**(420)**	**-**	**-**	**-**	**-**	**(420)**	**-**	**(420)**
Change in foreign currency translation adjustments	**-**	**-**	**-**	**-**	**741**	**741**	**25**	**766**
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact *(Note 8.1 and Note 8.2)*	**-**	**-**	**-**	**-**	**(644)**	**(644)**	**-**	**(644)**
Balance, May 29, 2020	**$ 19,663**	**$ 2,218**	**$ 17,182**	**$ 8,264**	**$ (1,457)**	**$ 45,870**	**$ 1,051**	**$ 46,921**

Six months ended May 31, 2019	Attributed to the equity holders of FTG							
(Unaudited) (in thousands of Canadian dollars)	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated Other Comprehensive loss	Total	Non-controlling interest	Total equity
Balance, November 30, 2018	$ 19,323	$ 2,218	$ 11,687	$ 8,672	$ (774)	$ 41,126	$ 1,181	$ 42,307
Net earnings (loss)	-	-	3,700	-	-	3,700	(77)	3,623
Stock-based compensation	-	-	-	154	-	154	-	154
Change in foreign currency translation adjustments	-	-	-	-	261	261	29	290
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges net of tax impact	-	-	-	-	(994)	(994)	-	(994)
Balance, May 31, 2019	$ 19,323	$ 2,218	$ 15,387	$ 8,826	$ (1,507)	$ 44,247	$ 1,133	$ 45,380

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended **May 29, 2020**	Three months ended May 31, 2019	Six months ended **May 29, 2020**	Six months ended May 31, 2019
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings (loss)	**$ 1,998**	$ 2,450	**$ (631)**	$ 3,623
Items not affecting cash:				
Stock-based compensation	**40**	80	**91**	154
Loss on disposal of plant and equipment	**-**	(8)	**6**	(1)
Effect of exchange rates on US dollar debt	**145**	140	**198**	126
Depreciation of plant and equipment	**1,123**	899	**2,163**	1,770
Depreciation of right-of-use assets *(Note 3, Note 4)*	**414**	-	**811**	-
Amortization of intangible assets	**97**	272	**396**	543
Amortization, other	**8**	3	**11**	6
Impairment of intangible assets *(Note 10)*	**-**	-	**1,145**	-
Investment tax credits/deferred income taxes	**518**	206	**605**	552
Accretion on lease liabilities *(Note 3, Note 4)*	**141**	-	**278**	-
Increase in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of taxes *(Note 8.1, Note 8.2)*	**711**	(652)	**425**	(702)
Net change in non-cash operating working capital *(Note 7)*	**(781)**	(485)	**3,241**	(4,572)
	4,414	2,905	**8,739**	1,499
Investing activities				
Additions to plant and equipment	**(1,439)**	(610)	**(2,485)**	(1,001)
Recovery (additions) of contract and other costs	**43**	(1)	**49**	(19)
	(1,396)	(611)	**(2,436)**	(1,020)
Net cash flow from (used in) operating and investing activities	**3,018**	2,294	**6,303**	479
Financing activities				
Decrease in bank indebtedness	**-**	(995)	**-**	-
Proceeds from bank debt	**3,309**	-	**3,309**	-
Repayments of bank debt	**(535)**	(512)	**(1,038)**	(1,021)
Lease liability payments *(Note 3, Note 4)*	**(466)**	-	**(912)**	-
Repurchase of common shares on exercise of PSU's	**(420)**	-	**(420)**	
	1,888	(1,507)	**939**	(1,021)
Effects of foreign exchange rate changes on cash flow	**(800)**	(101)	**(631)**	(172)
Net increase (decrease) in cash flow	**4,106**	686	**6,611**	(714)
Cash, beginning of the period	**10,152**	3,626	**7,647**	5,026
Cash, end of period	**$ 14,258**	$ 4,312	**$ 14,258**	$ 4,312
Disclosure of cash payments				
Payment for interest	**$ 54**	$ 90	**$ 109**	$ 171
Payments for income taxes	**$ 138**	$ 383	**$ 1,117**	$ 1,122

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 interim condensed consolidated financial statements of the Corporation as at and for the three months and six months ended May 29, 2020 comprise FTG, its subsidiaries and its joint venture.

These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on July 7, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Corporation for the year ended November 30, 2019, which are available on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the audited consolidated financial statements for the year ended November 30, 2019, except for the new accounting pronouncements which have been adopted as disclosed in Note 3.

2.1 Use of estimates, judgements and assumptions

The preparation of interim condensed consolidated financial statements 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 period. 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 assets or liabilities affected in future periods. 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 interim condensed 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.

2.2 COVID-19

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

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

3. ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation has adopted the new and amended pronouncements issued by IFRS and the International Financial Reporting Interpretations Committees ("IFRIC") as listed below as at December 1, 2019, in accordance with the transitional provisions outlined in the respective standards.

Leases

Effective December 1, 2019, the Corporation adopted IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases ("IAS 17"), IFRIC 4, Determining whether an Arrangement contains a Lease ("IFRIC 4"), SIC-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduced a single on-balance sheet model for lessees unless the underlying asset is of low value and recognition exemption applied. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Corporation recognized a $13,759 increase to assets and liabilities, respectively, on the interim condensed consolidated statement of financial position. Subsequent to the adoption, operating costs decrease due to the removal of rent expense for leases, depreciation and amortization expense increases due to depreciation of right-of-use assets, and finance costs increase due to accretion of the lease liability.

The Corporation adopted IFRS 16 under the modified retrospective approach and did not restate the comparatives for 2019. Also, on adoption of the modified retrospective approach, the impact on opening retaining earnings was immaterial. At transition, the Corporation applied the practical expedient available to the Corporation as lessee that allows the continuation of the lease assessments under IAS 17 and IFRIC 4 for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts existing as at December 1, 2019 and not expiring before November 30, 2020.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the incremental borrowing rate as at December 1, 2019. Right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease.

When applying IFRS 16 to leases previously classified as operating leases, the following practical expedients were applied:

- a single discount rate to a portfolio of leases with similar characteristics;
- used hindsight in determining the lease term where the contract contains extensions, or termination options;
- relied upon our assessment of whether leases are onerous under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets as at November 30, 2019 as an alternative to reviewing our right-of-use assets for impairment; and
- excluded short-term leases or low-value leases.

There were no such contracts in which the Corporation is the lessor.

Prior to adopting IFRS 16, the total minimum operating lease commitments as at November 30, 2019 were $9,645 which also included $1,045 for lease commitments considered out of scope for IFRS 16. The weighted average discount rate applied to the total lease liabilities recognized on transition was 4.0%. The difference between the total of the minimum lease payments set out in Note 20 to the 2019 annual consolidated financial statements and the total lease liabilities recognized on transition was a result of:

- the effect of discounting on the minimum lease payments;
- effect of including extension options in determining the lease term where the contract contained extensions, where the exercise of that option by the lessee (FTG) is reasonably certain based on hindsight; and
- the exclusion of short-term leases.

4. LEASES

Accounting policy

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.

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

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.

The majority of the Corporation’s leases relate to the rental of land and buildings. Below is a summary of the activity related to the Corporation’s lease liabilities for the three months and six months ended May 29, 2020.

	Lease liabilities $
At December 1, 2019	13,759
Accretion on lease liabilities	278
Payments	(912)
Foreign exchange and other	238
At May 29, 2020	13,363
Less current portion	(1,755)
	11,608

5. SHARE CAPITAL

5.1 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 outstanding common shares at the three months and six months ended May 29, 2020 were 22,716,201 (22,716,201 as at November 30, 2019).

During the three month and six months ended May 29, 2020, the Corporation granted 100,000 PSU’s (2019 – 22,500), of which 100% vest based on the achievement of a non-market performance condition. PSU’s 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 PSU’s 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.

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

As at May 29, 2020, nil of the 117,500 outstanding PSU's had vested/exercisable. As at November 30, 2019, 184,444 of the 206,944 outstanding PSU's had vested/exercisable which were exercised and settled during the three months ended May 29, 2020. The PSU settlement resulted in a transfer of $760 from contributed surplus to share capital representing the stock compensation expense that was recognized in contributed surplus over the three years from 2017 to 2019 related to these PSUs, which was offset by cash outflow of $420 related to the common share repurchase and issuance on settlement of these PSU's.

5.2 Earnings (loss) per share

	Three months ended		Six months ended	
	May 29, 2020	May 31, 2019	**May 29, 2020**	May 31, 2019
Numerator				
Net earnings (loss)	**$ 1,998**	$ 2,450	**$ (631)**	$ 3,623
Net (loss) attributable to non-controlling interests	**(36)**	(32)	**(68)**	(77)
Net earnings (loss) attributable to equity holders of FTG	**$ 2,034**	$ 2,482	**$ (563)**	$ 3,700
Numerator for basic earnings (loss) per share - net earnings (loss) applicable to Common Shares	**$ 2,034**	$ 2,482	**$ (563)**	$ 3,700
Numerator for diluted earnings (loss) per share - net earnings (loss) applicable to Common Shares	**$ 2,034**	$ 2,482	**$ (563)**	$ 3,700
Denominator				
Denominator for basic earnings (loss) per share - Weighted average number of Common Shares outstanding	**22,716,201**	22,716,201	**22,716,201**	22,716,201
Effect of dilutive securities				
Number of Preferred Shares	**1,775,000**	1,775,000	**-**	1,775,000
Number of PSU's	**117,500**	209,861	**-**	209,861
Denominator for diluted earnings (loss) per share - Weighted average number of Common Shares outstanding and assumed conversions	**24,608,701**	24,701,062	**22,716,201**	24,701,062
Earnings (loss) per share data attributable to the equity holders of FTG				
Basic earnings (loss) per share	**$ 0.09**	$ 0.11	**$ (0.02)**	$ 0.16
Diluted earnings (loss) per share	**$ 0.08**	$ 0.10	**$ (0.02)**	$ 0.15

For the three months and six months ended May 29, 2020, the Corporation had 1,775,000 (May 31, 2019 – 1,775,000) voting convertible Series 1 Preferred Shares outstanding, and 117,500 performance share units ("PSU's") outstanding (May 31, 2019 – 209,861). These convertible Series 1 Preferred Shares, and PSU's were included in calculating diluted earnings (loss) per share for the three months ended May 29, 2020 as the Corporation had net earnings. These convertible Series 1 Preferred Shares, and PSU's were not included in calculating diluted earnings (loss) per share for the six months ended May 29, 2020 as the Corporation had net (loss).These convertible Series 1 Preferred Shares, options and PSU's were included in calculating diluted earnings (loss) per share as they were dilutive for the three months and six ended May 31, 2019 as the Corporation had net earnings.

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

Management of capital

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

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

The managed capital as at May 29, 2020 of $53,718 is comprised of total equity attributable to FTG's shareholders of $45,870 and bank debt of $7,848. The managed capital as at November 30, 2019 of $52,081 is comprised of total equity attributable to FTG's shareholders of $46,665 and bank debt of $5,416.

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 bank 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 period.

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.

6. INCOME TAX EXPENSE

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the three months and six months ended May 29, 2020 was 25% (2019: 25%) which was based on projected annualized Manufacturing and Processing rates.

7. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Three months ended		Six months ended	
	May 29, 2020	May 31, 2019	**May 29, 2020**	May 31, 2019
	$	$	**$**	$
Accounts receivable, contract assets	**111**	(4,695)	**1,855**	(3,562)
Income taxes receivable	**-**	244	**-**	189
Inventories	**(2,777)**	2,008	**(1,292)**	155
Prepaid expenses	**(41)**	215	**252**	268
Contract liabilities	**(859)**	(367)	**3,079**	(949)
Accounts payable and accrued liabilities, and provisions	**2,413**	1,920	**(129)**	(379)
Income tax payable	**372**	190	**(524)**	(249)
	(781)	(485)	**3,241**	(4,572)

8. FINANCIAL INSTRUMENTS

8.1 Fair value

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 May 29, 2020 and November 30, 2019.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at May 29, 2020 and November 30, 2019.

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 May 29, 2020 and November 30, 2019.

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, accrued liabilities and provisions, 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.

Foreign exchange forward contracts, gold forward contracts and interest rate swap:

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap (per details in *Note 8.2*) is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on May 29, 2020. The forward current value (fair value) of these financial instruments as at May 29, 2020 had an net unrealized loss of $3,094 (a unrealized loss on foreign exchange forward contracts of $3,036, and a unrealized loss on interest rate swaps of $179, offset by an unrealized gain on gold forward contracts of $121), before taxes of $774, and included in other comprehensive income (loss), and relates to derivatives designated as cash flow hedges. The forward current value (fair value) of these financial instruments as at November 30, 2019 had an net unrealized loss of $2,234 (a unrealized loss on foreign exchange forward contracts of $2,127, and a unrealized loss on gold forward contracts of $30, and a unrealized loss on interest rate swaps of $77), before taxes of $558, and included in other comprehensive income (loss), and relates to derivatives designated as cash flow hedges.

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

8.2 Financial risks

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 four (November 30, 2019 – four) interest rate swaps as at May 29, 2020.

Based on the value of interest bearing financial instruments for the three months and six months ended May 29, 2020, an assumed 50 basis points increase in interest rates during such period would have decreased earnings before income taxes by $1 and $1 respectively (three months and six months ended May 31, 2019 – decrease of $1 and $2 respectively), with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

Currency risk

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

	Three months ended		Six months ended	
	May 29, 2020 $	May 31, 2019 $	**May 29, 2020 $**	May 31, 2019 $
Realized (gain) loss relating to financial assets and liabilities, excluding foreign exchange contracts	**(372)**	155	**(327)**	250
Realized (gain) loss relating to foreign exchange contracts	**(92)**	(15)	**(88)**	46
Foreign exchange (gain) loss	**(464)**	140	**(415)**	296

In addition, net realized loss for foreign exchange forward contracts designated as cash flow hedges that were settled during the three months and six months ended May 29, 2020 of $518 and $831 (three months and six months ended May 31, 2019, net realized loss of $128 and $200, respectively) was offset against sales in the interim condensed consolidated statements of earnings (loss).

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

			May 29, 2020	November 30, 2019
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**6,080**	**2,486**	**8,566**	4,103
Accounts receivable, contract assets	**9,650**	**3,575**	**13,225**	15,082
Accounts payable and accrued liabilities, contract liabilities	**(4,795)**	**(3,142)**	**(7,937)**	(6,591)
Total bank borrowings	**(3,323)**	**(2,373)**	**(5,696)**	(4,085)
Balance sheet exposure, excluding financial derivatives	**7,612**	**546**	**8,158**	8,509

	Three months ended			
			May 29, 2020	May 31, 2019
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**12,908**	**6,470**	**19,378**	22,811
Operating expenses	**(4,473)**	**(7,089)**	**(11,562)**	(12,776)
Net exposure	**8,435**	**(619)**	**7,816**	10,035

	Six months ended			
			May 29, 2020	May 31, 2019
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**24,725**	**12,675**	**37,400**	40,485
Operating expenses	**(7,654)**	**(16,192)**	**(23,846)**	(24,095)
Net exposure	**17,071**	**(3,517)**	**13,554**	16,390

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the three months and six months ended May 29, 2020 and May 31, 2019 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.

	Three months ended			
			May 29, 2020	May 31, 2019
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of U.S. dollars)*	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Balance sheet exposure, excluding financial derivatives	**(76)**	**(5)**	**(81)**	(69)
Net sales and operating expenses (net exposure)	**(84)**	**6**	**(78)**	(100)
Net exposure	**(160)**	**1**	**(159)**	(169)

	Six months ended			
			May 29, 2020	May 31, 2019
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of U.S. dollars)*	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Balance sheet exposure, excluding financial derivatives	**(76)**	**(5)**	**(81)**	(69)
Net sales and operating expenses (net exposure)	**(171)**	**35**	**(136)**	(164)
Net exposure	**(247)**	**30**	**(217)**	(233)

The Corporation also holds RMB arising from its Circuits and Aerospace facilities in the People's Republic of China. Total consolidated statements of financial position exposure as at May 29, 2020 was RMB 4,587,781 or Cdn. $886 (November 30, 2019 was RMB 4,464,403 or Cdn. $844) including a short term deposit with a financial institution with maturity of less than 1 year an amount of RMB 2,519,375 or Cdn. $487 (November 30, 2019 – RMB 2,500,000 or Cdn. $472). With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the three months and six months ended May 29, 2020 would decrease by approximately $9 and $9, respectively (three months and six months ended May 31, 2019 - decrease by approximately $11 and $11 respectively). An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on these amounts.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange forward contracts

Foreign exchange forward contracts are transacted with a financial institution to hedge part of a foreign currency denominated anticipated sale of products. 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 May 29, 2020 and November 30, 2019:

Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized (loss)
May 29, 2020					
U.S. dollars	**Canadian dollars**	**$54,000**	**$71,467**	**$74,503**	**($3,036)**
November 30, 2019					
U.S. dollars	Canadian dollars	$45,000	$57,645	$59,772	($2,127)

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

As at May 29, 2020 and November 30, 2019, 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 accounts payable and accrued liabilities. This net unrealized (loss) in other comprehensive income (loss) is expected to be realized through net earnings on the interim condensed consolidated statements of earnings (loss) over the next thirty six months when the sales are recorded.

Gold forward contracts

As at May 29, 2020, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 600 ounces of gold (November 30, 2019: 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.19 (2019 - $1.78) per ounce expiring quarterly from June 2020. 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:

Period ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized gain (loss)
May 29, 2020	**Gold forward contract**	**600 ounces**	**$1,314**	**$1,435**	**$121**
November 30, 2019	Gold forward contracts	600 ounces	$1,057	$1,027	($30)

As at May 29, 2020 and November 30, 2019, the gold forward contracts are designated as a cash flow hedges, all of which was recognized in other comprehensive income (loss) and accounts payable and accrued liabilities. This unrealized loss in other comprehensive income (loss) is expected to be reclassified to the interim condensed consolidated statements of earnings (loss) over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at May 29, 2020 retained in other comprehensive income (loss) related to these contracts are expected to be recognized through net earnings on the interim condensed consolidated statement of earnings (loss) in fiscals 2020, 2021, 2022 and 2023.

Interest rate swaps

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($2) (November 30, 2019 – unrealised gain of $1) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($31) (November 30, 2019 - unrealized gain of $10) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

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

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($81) (November 30, 2019 - unrealized (loss) of ($48) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at May 29, 2020 had an unrealized (loss) of ($65) (November 30, 2019 - unrealized (loss) of ($40) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

The table below summarizes the net unrealised loss related to interest rate swaps as at May 29, 2020 and November 30, 2019:

Period ended	Nature of contracts	Net unrealized (loss)
May 29, 2020	**Interest rate swaps**	**($179)**
November 30, 2019	Interest rate swaps	($77)

Credit risk

For the three months and six months ended May 29, 2020, the Corporation recorded a bad debts expense of $89 and $186 respectively, in selling, general and administrative expenses in the interim condensed consolidated statements of earnings (loss). For the three months and six months ended May 31, 2019, the Corporation recorded a bad debts expense of $109 and $118 respectively, in selling, general and administrative expenses in the interim condensed consolidated statements of earnings (loss). 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. During the three months ended May 29, 2020, the Corporation's largest and second largest customer accounted for approximately 24.0% and 9.0% of sales (2019 – 22.3% and 8.5%), respectively. During the six months ended May 29, 2020, the Corporation's largest and second largest customer accounted for approximately 24.5% and 9.8% of sales (2019 – 22.7% and 9.3%), respectively. 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.

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 5.3*. 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 May 29, 2020 and November 30, 2019:

					May 29, 2020	November 30, 2019
	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**	Amount $
Bank debt[1] (committed facility)	**4,582**	**-**	**-**	**-**	**4,582**	5,428
Bank debt[2] PPP Loans	**1,088**	**2,178**	**-**	**-**	**3,266**	-
Accounts payable and accrued liabilities, and provisions	**17,902**	**-**	**-**	**-**	**17,902**	18,050
Contract liabilities	**3,288**	**-**	**-**	**-**	**3,288**	216
Lease liabilities	**1,755**	**1,774**	**4,238**	**5,596**	**13,363**	-
Operating leases	**400**	**234**	**201**	**-**	**835**	9,645
	29,015	**4,186**	**4,439**	**5,596**	**42,236**	33,339

1. Bank debt as at May 29, 2020 is offset by $6 for deferred financing charge ($12 as at November 30, 2019).

2. Bank debt as at May 29, 2020 includes (i) accretion of interest of $10 ($nil as at November 30, 2019), (ii) offset by $4 for amortization of government grant ($nil as at November 30, 2019).

Financial liabilities and obligations for future interest payments relating to bank debt are $184 for within 1 year, $118 for the 2nd year, $96 in aggregate for years 3, 4 and 5 and $nil after the 5th year.

In November, 2015, the Corporation had entered into a five year committed credit facility with a major financial institution, which expires in November, 2020. Consequently, all outstanding bank debt pursuant to the committed facility has been classified on the balance sheet as current as of May 29, 2020 and all principal payments are reflected as less than 1 year.

In July, 2020, the Corporation entered into an amended and restated two-year committed credit facility with the same major financial institution, which will expire in July, 2022. The amended credit facility is a US$20.0 million committed revolving credit facility consisting of a US$10.0 million operating credit for working capital purposes and a US$10.0 million term credit to fund capital expenditures. The key terms of this credit facility are comparable to the previous one.

In May, 2020, the Corporations' US subsidiaries, FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc., closed on an unsecured bank debt guaranteed under the Paycheck Protection Program ("PPP") in the total amount of US $2,369 or $3,266 ("PPP Loans"). The PPP Loans specifically support the ongoing payroll costs and certain operating costs of these subsidiaries, bear interest at a fixed rate of 1% per annum, with a maturity date of two years from the date of advance. PPP Loans require blended principal and interest payments commencing six months following the date of advance. PPP Loans may be forgiven in whole or in part, to the extent permitted under the program.

Government subsidies

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. Accordingly, the Corporation applied for the CEWS to the extent it met the requirements to receive the subsidy and during the three months ended May 29, 2020, recorded $823 in government subsidies as a reduction to operating expenses in the interim condensed consolidated statement of earnings (loss).

9. 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:

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

	Three months ended May 29, 2020			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**19,892**	**9,358**	**-**	**29,250**
Inter-company sales	**(293)**	**(2,135)**	**-**	**(2,428)**
Net sales	**19,599**	**7,223**	**-**	**26,822**
Cost of sales and selling, general and administrative expenses	**13,427**	**6,589**	**718**	**20,734**
Research and development costs	**1,477**	**106**	**-**	**1,583**
Recovery of investment tax credits	**(153)**	**(50)**	**-**	**(203)**
Depreciation of plant and equipment	**871**	**212**	**40**	**1,123**
Depreciation of right-of-use assets	**205**	**199**	**10**	**414**
Amortization of intangible assets	**34**	**63**	**-**	**97**
Stock based compensation	**-**	**-**	**40**	**40**
Foreign exchange (gain) loss on conversion of balance sheet assets and liabilities	**(16)**	**(458)**	**10**	**(464)**
Earnings (loss) before interest and income taxes	**3,754**	**562**	**(818)**	**3,498**
Interest expense on bank debt, net	**-**	**-**	**57**	**57**
Accretion on lease liabilities	**-**	**-**	**141**	**141**
Income tax expense	**-**	**-**	**1,302**	**1,302**
Net earnings (loss)	**3,754**	**562**	**(2,318)**	**1,998**

	Three months ended May 31, 2019			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	19,542	14,667	-	34,209
Inter-company sales	(277)	(1,697)	-	(1,974)
Net sales	19,265	12,970	-	32,235
Cost of sales and selling, general and administrative expenses	13,679	11,111	745	25,535
Research and development costs	932	236	-	1,168
Recovery (reversal) of investment tax credits, net	123	152	(265)	10
Depreciation of plant and equipment	681	191	27	899
Amortization of intangible assets	37	235	-	272
Stock based compensation			80	80
Restructuring expenses	24	219	-	243
Foreign exchange (gain) loss on conversion of balance sheet assets and liabilities	(65)	85	120	140
Earnings (loss) before interest and income taxes	3,854	741	(707)	3,888
Interest expense on bank debt, net	-	-	90	90
Income tax expense	-	-	1,348	1,348
Net earnings (loss)	3,854	741	(2,145)	2,450

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

	Six months ended May 29, 2020			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**36,661**	**19,153**	**-**	**55,814**
Inter-company sales	**(603)**	**(3,851)**	**-**	**(4,454)**
Net sales	**36,058**	**15,302**	**-**	**51,360**
Cost of sales and selling, general and administrative expenses	**27,159**	**14,749**	**1,456**	**43,364**
Research and development costs	**2,378**	**286**	**-**	**2,664**
Recovery of investment tax credits	**(275)**	**(100)**	**-**	**(375)**
Depreciation of plant and equipment	**1,680**	**412**	**71**	**2,163**
Depreciation of right-of-use assets	**402**	**390**	**19**	**811**
Amortization of intangible assets	**69**	**327**	**-**	**396**
Stock based compensation	**-**	**-**	**91**	**91**
Impairment of intangible assets	**-**	**1,145**	**-**	**1,145**
Foreign exchange loss on conversion of balance sheet assets and liabilities	**105**	**(521)**	**1**	**(415)**
Earnings (loss) before interest and income taxes	**4,540**	**(1,386)**	**(1,638)**	**1,516**
Interest expense on bank debt, net	**-**	**-**	**98**	**98**
Accretion on lease liabilities	**-**	**-**	**278**	**278**
Income tax expense	**-**	**-**	**1,771**	**1,771**
Net earnings (loss)	**4,540**	**(1,386)**	**(3,785)**	**(631)**

	Six months ended May 31, 2019			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	35,049	27,434	-	62,483
Inter-company sales	(577)	(4,281)	-	(4,858)
Net sales	34,472	23,153	-	57,625
Cost of sales and selling, general and administrative expenses	25,029	20,028	1,528	46,585
Research and development costs	1,828	456	-	2,284
Recovery of investment tax credits, net	98	122	(415)	(195)
Depreciation of plant and equipment	1,328	389	53	1,770
Amortization of intangible assets	74	469	-	543
Stock based compensation	-	-	154	154
Restructuring expenses	24	219	-	243
Foreign exchange loss on conversion of balance sheet assets and liabilities	6	223	67	296
Earnings (loss) before interest and income taxes	6,085	1,247	(1,387)	5,945
Interest expense on bank debt, net	-	-	167	167
Income tax expense	-	-	2,155	2,155
Net earnings (loss)	6,085	1,247	(3,709)	3,623

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

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

	As at May 29, 2020			As at November 30, 2019		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**62,364**	**28,446**	**90,810**	48,370	25,007	73,377
Intangible assets and other assets	**852**	**232**	**1,084**	1,098	1,487	2,585
Additions to plant and equipment	**2,323**	**162**	**2,485**	4,973	539	5,512
Total segment liabilities	**37,129**	**6,760**	**43,889**	20,966	4,652	25,618

The following tables detail the financial information of the Corporation by geographic location:

	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Three months ended May 29, 2020:						
Net sales (by location of customer)	**1,852**	**21,065**	**2,797**	**873**	**235**	**26,822**
Three months ended May 31, 2019:						
Net sales (by location of customer)	2,901	23,363	4,428	1,227	316	32,235

	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Six months ended May 29, 2020:						
Net sales (by location of customer)	**3,591**	**39,397**	**6,053**	**1,781**	**538**	**51,360**
Six months ended May 31, 2019:						
Net sales (by location of customer)	5,558	41,093	8,168	2,187	619	57,625

	As at May 29, 2020					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Intangible assets and other assets (by location of division)	**-**	**802**	**282**	**-**	**-**	**1,084**
Plant and equipment (by location of division)	**7,031**	**5,552**	**1,823**	**-**	**-**	**14,406**
Right-of-use assets (by location of division)	**6,891**	**5,906**	**390**	**-**	**-**	**13,187**

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

	As at November 30, 2019					
	Canada $	United States $	Asia $	Europe $	Other $	Total $
Intangible assets and other assets (by location of division)	-	2,314	271	-	-	2,585
Plant and equipment (by location of division)	6,211	5,665	1,954	-	-	13,830

The Corporation's primary sources of revenue are as follows	Three months ended		Six months ended	
	May 29, 2020 **$**	May 31, 2019 $	**May 29, 2020** **$**	May 31, 2019 $
Sale of goods	**26,599**	31,732	**50,889**	56,786
Services	**223**	503	**471**	839
	26,822	32,235	**51,360**	57,625

Timing of revenue recognition based on transfer of control is as follows:	Three months ended		Six months ended	
	May 29, 2020 **$**	May 31, 2019 $	**May 29, 2020** **$**	May 31, 2019 $
At a point of time	**26,599**	31,732	**50,889**	56,786
Over time	**223**	503	**471**	839
	26,822	32,235	**51,360**	57,625

During the three months ended May 29, 2020, there was one customer in the United States and one customer in Canada (including its operations in Asia) that accounted for approximately 24.0% and 9.0% of the total net sales, respectively - the largest customer accounted for approximately $6,430 of net sales (of which 81.5% was in Circuits segment and the remaining 18.5% in the Aerospace segment) and the second largest customer accounted for approximately $2,420 of net sales (of which 95.0% was in Circuits segment and the remaining 5.0% in the Aerospace segment).

During the three months ended May 31, 2019, there were two customers in the United States that accounted for approximately 22.3% and 8.5% of the total net sales, respectively - the largest customer accounted for $7,200 of net sales (of which 83.8% was in Circuits segment and the remaining 16.2% in the Aerospace segment) and the second largest customer accounted for $2,750 of net sales (of which 59.3% was in Circuits segment and the remaining 40.7% in the Aerospace segment).

During the six months ended May 29, 2020, there were two customers in the United States that accounted for approximately 24.5% and 9.8% of the total net sales, respectively - the largest customer accounted for approximately $12,600 of net sales (of which 81.4% was in Circuits and the remaining 18.6% in the Aerospace segment) and the second largest customer accounted for approximately $5,060 of net sales (of which 48.1% was in Circuits segment and the remaining 51.9% in the Aerospace segment).

During the six months ended May 31, 2019, there were two customers in the United States that accounted for approximately 22.7% and 9.3% of the total net sales, respectively - the largest customer accounted for $13,100 of net sales (of which 84.3% was in Circuits and the remaining 15.7% in the Aerospace segment) and the second largest customer accounted for $5,350 of net sales (of which 51.0% was in Circuits segment and the remaining 49.0% in the Aerospace segment).

10. IMPAIRMENT OF INTANGIBLES

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

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