FIRAN TECHNOLOGY GROUP CORPORATION

Second Quarter Report
For the period ended
June 4, 2021

July 13, 2021

July 13, 2021

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 June 4, 2021 (second quarter of fiscal 2021 or Q2 2021) is as of July 13, 2021 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 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The 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, 2020 (Fiscal 2020) and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2020 MD&A. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 10, 2021, 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. 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.

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, 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 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 and YEAR-TO-DATE FISCAL 2021

(in thousands of dollars except per share amounts)	**Q2 2021**	Q2 2020	**Year-to-date 2021**	Year-to-date 2020
Sales	**$ 20,330**	$ 26,822	**$39,300**	$51,360
Gross margin	**5,454**	8,674	**9,116**	12,634
Net earnings (loss) to equity holders of FTG	**10**	2,034	**(390)**	(563)
Number of Common and preferred shares, in aggregate (in thousands)	**24,491**	24,491	**24,491**	24,491
Net earnings (loss) per share – basic	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)
Net earnings (loss) per share – diluted	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)
Total assets	**81,487**	90,810	**81,487**	90,810
Net cash position[1]	**14,807**	6,410	**14,807**	6,410
Free cash flow[2]	**1,912**	2,552	**1,484**	5,391

1. Net cash is defined as cash and cash equivalents less bank debt

2 Free cash flow ("FCF") is a non-IFRS financial measure, which the Corporation defines as net cash flow from operating and investing activities excluding acquisitions, less lease liability payments.

Sales

Sales for the second quarter of fiscal 2021 were $20,300, a decrease of $6,492 or 24.2% from the second quarter of fiscal 2020. The significant variances in the second quarter sales in 2021 as compared to 2020 were as follows:

- FTG continued to be negatively impacted by COVID-19 in Q2 2021, particularly at Circuits Toronto and both China sites, as these sites have the highest exposure to the commercial aerospace market. Our backlog at these sites continues to be impacted by the reduction in production rates for commercial aircraft imposed by Boeing and Airbus on the supply chain. In addition, a number of employees at the Circuits Toronto site tested positive for COVID-19 and the site was designated as a hotspot by the municipal government. This designation was declared over effective May 26, 2021.

- Shipments to the Simulator market were approximately $0.9 million in second quarter 2021 as compared to $2.1 million in second quarter 2020, as a result of timing of customer orders. On a year-to-date basis, shipments of Simulator products have increased by $0.2 million in 2021 as compared to the prior period.
- A large majority of FTG's customer contracts are denominated in US dollars and recent appreciation of the Canadian dollar relative to the US dollar had a negative impact on reported sales in Q2. The average FX rate experienced in Q2 2021 was 11% lower than in Q2 2020 and the estimated negative impact on sales is $2.5 million. This is partially mitigated by FTG's currency hedging program, which resulted in realized gains on FX forward contracts of $511 added to sales during Q2 (whereas in Q2 2020, realized losses on FX forward contracts of $518 were deducted from sales).
- Increased shipments on military programs from Aerospace Chatsworth site provided an offset to the foregoing.

Sales for the year-to-date period of 2021 were $39.3 million as compared to $51.4 million, which is a decrease of 23.5%. Lower revenue in 2021 is the result of COVID-19 impacts on both end-market demand from the commercial aerospace market, COVID-19 impacts on our operations, and unfavourable FX impact. FTG's operations were impacted in Q1 and Q2, including employee absences and component shortages.

Sales in Q2 2021 were up $1.4 million or 7.2% sequentially from Q1 2021, despite the currency headwinds, as the commercial aerospace market has begun to recover and FTG experienced reduced COVID-19 impacts on its manufacturing operations.

The following table compares net sales by reportable segment for the second quarter fiscal 2021 and 2020.

	Second Quarter		Year-to-Date	
	2021	2020	**2021**	2020
Circuits	**$ 12,984**	$ 19,599	**$ 24,969**	$ 36,058
Aerospace	**7,346**	7,223	**14,331**	15,302
Net sales	**$ 20,330**	$ 26,822	**$ 39,300**	$ 51,360

Net sales in the Circuits segment decreased by $6,615 or 33.8% from the second quarter of 2020 as a result of reduced demand for commercial aerospace products, particularly in the Circuits Toronto site and our joint-venture in China. There was also a significant unfavourable impact from currency translation. Net sales to the top five customers represented 52.4% of the FTG Circuits net segment sales for the second quarter of fiscal 2021 (58.8% in 2020).

Net sales in the Circuits segment on a year-to-date basis in fiscal 2021 decreased by $11,089 or 30.8% as a result of reduced demand for commercial aerospace products, and COVID-19 operational issues. There was also a significant unfavourable impact from currency translation Net sales to the top five customers represented 51.6% of the FTG Circuits net segment sales a year-to-date basis in fiscal 2020 (61.7% in 2020).

The increase in Aerospace segment net sales of $123 or 1.7% from the second quarter of 2020 is the result of growth in military programs, partially offset by lower revenues of Simulator products and unfavourable currency impact and operational inefficiencies at our Chatsworth Aerospace. Net sales to the top five customers represented 67.2% of the FTG Aerospace net segment sales for the second quarter of fiscal 2021 (62.1% in 2020).

The decrease in Aerospace segment net sales on a year-to-date basis in fiscal 2020 of $971 or 6.3% is the result of COVID-19 related impacts in components supply and our operations at all Aerospace sites, as well as unfavourable currency impact. Net sales to the top five customers represented 65.1% of the FTG Aerospace net segment sales on a year-to-date basis in fiscal 2021 (57.1% % in 2020).

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

	Second Quarter				Year-to-Date			
	2021	**%**	2020	%	**2021**	**%**	2020	%
Canada	**$ 2,067**	**10.2**	$ 1,852	6.9	**$ 4,459**	**11.3**	$ 3,591	7.0
United States	**14,694**	**72.3**	21,065	78.5	**29,478**	**75.1**	39,397	76.7
Asia	**2,060**	**10.1**	2,797	10.4	**3,241**	**8.2**	6,053	11.8
Europe	**1,410**	**6.9**	873	3.3	**2,009**	**5.1**	1,781	3.5
Other	**99**	**0.5**	235	0.9	**113**	**0.3**	538	1.0
Total	**$ 20,330**	**100.0**	$ 26,822	100.0	**$ 39,300**	**100.0**	$ 51,360	100.0

Net sales in Canada increased by $215 or 11.6% from the second quarter of 2020 primarily as a result of increased Simulator revenues. Net sales in the United States were decreased by $6,371 or 30.2% as a result of the weak commercial aerospace market, with the percentage of FTG's revenue derived from the U.S. remaining stable on the continued strength of the U.S. defense market. Net sales in Asia were decreased by $736 or 26.3% as a result of the weak commercial aerospace market.

The Corporation's top five customers represent 52.3% of net sales for the second quarter of fiscal 2021 as compared to 54.1% for the same period last year. The Corporation's two largest customers accounted for 28.4% (24.0% in 2020) and 9.0% (9.0% in 2020) of net sales for the second quarter of fiscal 2021. On a year-to-date basis in fiscal 2021, the Corporation's top five customers represent 51.8% of net sales as compared to 55.4% for the same period last year. On a year-to-date basis, the Corporation's two largest customers accounted for 25.8% (24.5% in 2020) and 9.2% (9.8% in 2020) of net sales, respectively.

Gross Margin

Gross margin on a consolidated basis decreased by $3,220 or 37.1% for the second quarter of fiscal 2021 to $5,454 or 26.8% of net sales compared to $8,674 or 32.3% of net sales for the same period last year. Comparing to the first quarter of fiscal 2021, gross margin increased by $1,792 or 48.9% from $3,662 or 19.3% of net sales.

On a year-to-date basis in fiscal 2021, gross margin on a consolidated basis decreased by $3,518 or 27.8% to $9,116 or 23.2% of net sales compared to $12,634 or 24.6% of net sales for the same period last year.

The decrease in gross margin dollars and the gross margin rate for Q2 and 2021 is primarily the result of reduced operating leverage on lower sales volumes. The volume impact is partially mitigated by the Canada Emergency Wage Subsidy ("CEWS"), which amounted to $1,188 in Q2 2021 (Q2 2020 – $823).

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the second quarter of fiscal 2021 were $2,659 or 13.1% of net sales as compared to $4,056 or 15.1% of net sales for the same period last year. The decrease of $1,397 during Q2 2021 is the result of reductions in bad debt reserves, lower travel costs, reduced headcount, lower performance compensation costs, and wage subsidies in 2021 of $108.

On a year-to-date basis in fiscal 2021, SG&A expenses were $5,350 or 13.6% of net sales as compared to $7,487 or 14.6% 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 2021 were $1,531 or 7.5% of net sales as compared to $1,583 or 5.9% of net sales for the same period last year. On a year-to-date basis in fiscal 2021, R&D costs were $2,913 or 7.4% of net sales as compared to $2,664 or 5.2% of net sales for the same period last year. R&D costs were focused on new product development and process and product improvements.

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. During the second quarter of fiscal 2021, the Corporation recorded $179 in ITCs (2020 – $203), which were earned from qualifying research and development expenditures. On a year-to-date basis in fiscal 2021, the Corporation recorded $306 in ITCs (2020 – $375).

The Corporation has, as at June 4, 2021, $427 (November 30, 2020 – $1,359) of investment tax credits available to be applied against future income taxes otherwise payable in Canada.

Depreciation of Plant and Equipment

Depreciation of plant and equipment for the second quarter of fiscal 2021 was $1,099, a decrease of $24 or 2.1% as compared to depreciation of $1,123 for the same period last year. The decrease in depreciation during the second quarter of fiscal 2021 is mainly due to the timing of capital expenditures being put into service.

Depreciation of plant and equipment on a year-to-date basis in fiscal 2021 was $2,239, an increase of $76 or 3.5% as compared to depreciation of $2,163 for the same period last year. The increase in depreciation cost 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 2021 was $389, which was marginally lower than $414 for the same period last year. On a year-to-date basis in fiscal 2021, depreciation of right-of-use assets was $772, which was marginally lower than $811 for the same period last year. Fluctuations are primarily due to currency translation.

Amortization/Impairment of Intangible Assets

Amortization of intangible assets for the second quarter of fiscal 2021 was $70, a decrease of $27 as compared to amortization of $97 for last year. The decrease in amortization is due to a lower level of intangible assets carried on the balance sheet in the second quarter of 2021.

Amortization of intangible assets on a year-to-date basis in fiscal 2021 was $159, a decrease of $237 or 59.8% as compared to amortization of $396 for same period last year.

Interest Expense on bank debt, net

In the second quarter of fiscal 2021, interest costs were $28 as compared to $57 for the same period last year. On a year-to-date basis in fiscal 2021, interest costs were $67, a decrease of $31 or 31.6% as compared to $98 for the same period last year. The decrease in interest expense in fiscal 2021 was mainly due to the decrease in bank debt as compared to last year.

Accretion on lease liabilities

Accretion on lease liabilities for the second quarter of fiscal 2021 was $122, which was marginally lower than $141 for the same period last year. On a year-to-date basis in fiscal 2021, accretion on lease liabilities was $248, which was marginally lower than $278 for the same period last year. Fluctuations are primarily due to currency translation.

Forgiveness of debt

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

In the first quarter of fiscal 2021, U.S. $1,032 or $1,336 of the PPP loans were fully forgiven. Subsequent to the end of the second quarter of 2021, FTG received confirmation that the residual PPP Loan balance had been fully forgiven.

Foreign Exchange (Gain) Loss

The foreign exchange loss for the second quarter of fiscal 2021 was $544 compared to a foreign exchange gain of $464 for the same period last year. The foreign exchange loss for the second quarter of fiscal 2021 was mainly 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.

During Q2 2021, the Canadian dollar, as compared to the U.S. dollar exchange rate, has appreciated by approximately $0.06 or 4.6% from $1.27 as at March 5, 2021 to $1.21 as at June 4, 2021, as compared to depreciation of approximately $0.04 or 2.7% in Q2 2020.

On a year-to-date basis in fiscal 2021, there was a net foreign exchange loss of $1,162 as compared to net foreign exchange gain of $415 for the same period last year. During the year-to-date period of 2021, the Canadian dollar has appreciated by approximately $0.09 as compared to depreciation of approximately $0.07 in 2020.

In the second quarter of fiscal 2021 and on a year-to-date basis, a net realized gain of $551 and $882 respectively, was recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges, this compares to a net realized losses of $518 and $831 recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges in the second quarter of fiscal 2020 and on a year-to-date basis, 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)	**2021**	2020	**2021**	2020
Sales before adjustment for net realized gain (loss) on f/x forward contracts designed as cash flow hedges	**$ 19,779**	$ 27,340	**$ 38,418**	$ 52,191
Add (deduct): adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**551**	(518)	**882**	(831)
Net sales	**20,330**	26,822	**39,300**	51,360
Costs of sales	**13,467**	16,678	**27,332**	35,877
Depreciation of plant and equipment and right-of-use assets	**1,409**	1,470	**2,852**	2,063
Total cost of sales	**14,876**	18,148	**30,184**	38,726
Gross margin	**5,454**	8,674	**9,116**	12,634
Gross margin %	**26.8%**	32.3%	**23.2%**	24.6%
Gross margin before f/x gain (loss)	**$ 4,903**	$ 9,192	**$ 8,234**	$ 13,465
Gross margin % before f/x gain (loss)	**24.8%**	33.6%	**21.4%**	25.8%

Income Tax Expense

During the second quarter of fiscal 2021, current income tax of $554 (2020 – $1,261) was recorded which included current income tax on earnings in the Canadian entity, and certain withholding taxes.

On a year-to-date basis in fiscal 2021, current income tax of $1,050 (2020 – $1,695) was recorded which included current income tax on earnings in the Canadian entity, and certain withholding taxes.

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 and six months periods ended June 4, 2021 was 25% (2020 – 25%) which was based on projected annualized Manufacturing and Processing rates.

Net Earnings (Loss)

The net loss for the second quarter of fiscal 2021 was ($11) which included net earnings of $10 attributable to equity holders of FTG, offset by net loss of ($21) relating to non-controlling interests. The net earnings for the second quarter of fiscal 2021 attributable to equity holders of FTG translated into basic and diluted loss per share of $0.00.

On a year-to-date basis, the net loss for 2021 was ($438) which included net loss of ($390) attributable to the equity holders of FTG offset by net loss of ($48) relating to non-controlling interest. The net earnings on a year-to-date basis in 2021 attributable to the equity holders of FTG translated into basic and diluted loss per share of ($0.02).

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

	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	**Q2-21**
Circuit Segment Sales	$18,336	$18,634	$16,457	$19,599	$15,690	$14,078	$11,985	**$12,984**
Aerospace Segment Sales	9,617	8,441	8,081	7,223	8,674	12,633	6,985	**7,346**
Total Net Sales	27,953	27,075	24,538	26,822	24,364	26,711	18,970	**20,330**
Earnings (Loss) before income taxes	2,838	1,112	(2,160)	3,300	1,388	2,118	60	**578**
Net Earnings (Loss) Attributable to Equity holders of FTG	1,783	575	(2,597)	2,034	645	1,308	(400)	**10**
Earnings (Loss) per share: Basic	$0.08	$0.03	($0.11)	$0.08	$0.03	$0.06	($0.02)	**$0.00**
Earnings (Loss) per share: Diluted	$0.07	$0.03	($0.11)	$0.08	$0.03	$0.06	($0.02)	**$0.02**
Quarterly average CDN$ U.S.$ exchange rates	$1.3214	$1.3223	$1.3169	$1.3996	$1.3449	$1.3176	$1.2740	**$1.2390**

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 June 4, 2021, the Corporation's primary sources of liquidity totalled $50,657 ($56,116 as at November 30, 2020), made up of cash, accounts receivable, contract assets, and inventory, excluding the unused portion of the Corporation's credit facilities of up to approximately $21,500 (U.S. $17.8 million). Working capital at June 4, 2021 was $41,292 as compared to $39,406 at November 30, 2020.

Accounts receivable days outstanding were 56 as at June 4, 2021 compared to 62 as of November 30, 2020, inventory turns were 3.0 as at June 4, 2021 as compared to 3.8 as of November 30, 2020, and accounts payable days outstanding were 77 as at June 4, 2021 as compared to 74 as of November 30, 2020.

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 June 4, 2021. Subsequent to June 4, 2021, the Corporation reached an agreement with its primary lender to extend the Corporation's credit facilities to July 2026.

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 June 4, 2021.

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE IN $000'S Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Bank debt (committed facility)	2,633	901	917	815	-	-
Bank debt (PPP Loans)	1,616	1,616	-	-	-	-
Accounts payable and accrued liabilities, and provisions	11,601	11,601	-	-	-	-
Contract liabilities	342	342	-	-	-	-
Lease liabilities	14,456	1,675	1,444	1,279	1,275	8,783
Income tax payable	730	730	-	-	-	-
Operating Leases	396	215	108	73	-	-

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 June 4, 2021. The forward current value (fair value) of these financial instruments as at June 4, 2021 included a net unrealized gain of $5,326 (November 30, 2020 – $1,569), which consists of an unrealized gain on foreign exchange forward contracts of $5,394 (November 30, 2020 – $1,680) and an unrealized gain on gold forward contracts of $21 (November 30, 2020 – $19), offset by an unrealized loss on interest rate swaps of $89 (November 30, 2020 – $130). The financial instruments are designated as cash flow hedges and related unrealized gain, net of $1,332 in tax (November 30, 2020 – $392), is included in other comprehensive income (loss).

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 US$2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US$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 June 4, 2021 included an unrealized loss of $14 (November 30, 2020 – unrealized loss of $21) which is included in other comprehensive 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 June 4, 2021 had an unrealized loss of $42 (November 30, 2020 – unrealized loss of $60) which is included in other comprehensive 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 US$1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US$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 June 4, 2021 had an unrealized loss of $33 (November 30, 2020 – unrealized loss of $49) which is included in other comprehensive loss and accounts payable and accrued liabilities.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

For the second quarter of fiscal 2021, the Corporation invested $617 in net capital expenditures which mainly included various upgrades to machinery and equipment at its existing facilities.

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.

On a year-to-date basis in 2021, the Corporation invested $995 in net capital expenditures which mainly included 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.

The Corporation has commitments of approximately $1.2M for capital expenditures for the second half of fiscal 2021, primarily for production equipment for the Circuits segment. This equipment is expected to increase automation and provide for a broader product offerings.

CASH FLOW

Operating Activities

Operating activities in the second quarter of fiscal 2021 provided net cash inflow of $2,964 as compared to $4,414 in the second quarter of fiscal 2020. The reduction in cash from operations is primarily due to lower earnings, partially offset by changes in non-cash working capital. The change in non-cash working capital included reduced non-trade accounts receivable related to wage and rent subsidies, earned in Q1 2021 and collected in Q2 2021.

On a year-to-date basis in 2021 cash provided by operating activities amounted to $3,364 as compared to cash provided of $8,739 in the same period last year. The primary period over period variances in cash flow from operating activities include a non-cash earnings adjustments of $1.3M in the year-to-date period of 2021 related to PPP Loans forgiven and the fact that in the prior year period, FTG received customer prepayments for certain Simulator orders.

Investing Activities

Investing activities in second quarter of fiscal 2021 primarily included $617 of cash used for capital expenditures (Q2 2020 – $995).

Investing activities on a year-to-date basis in fiscal 2021 primarily included $995 for capital expenditures (2020 year-to-date – $2,485).

Financing Activities

Cash used by financing activities in the second quarter of fiscal 2021 resulted in a cash outflow of $673 which included $226 towards repayments of bank debt and $447 towards lease liability payments. Cash used for repayments of bank debt in Q2 2021 is less than in Q2 2020 as one of the term loans was repaid in full in 2020. Q2 2020 included cash proceeds of $3.3 million from the PPP Loans.

Cash used by financing activities in the 2021 year-to-date period resulted in a cash outflow of $1,357 which included $458 towards repayments of bank debt and $899 towards lease liability payments.

Free Cash Flow

Free cash flow in Q2 2021 was $1.9 million as compared to an inflow of $2.6 million in Q2 2020 for an unfavourable variance of approximately $0.7 million. Contributors to the variance include lower earnings, partially offset by favourable changes in non-cash working capital, and reduced capex.

Free cash flow on a year-to-date basis in fiscal 2021 was $1.5 million as compared to 5.4 million in 2020 for an unfavourable variance of approximately $3.9 million. Contributors to the variance reduced cash from operating activities partially offset by reduced capex.

RELATED PARTY TRANSACTIONS

There were no related party transactions on a year-to-date basis in fiscal 2021 and 2020.

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 6* of the consolidated financial statements as at June 4, 2021 and are designed to meet the requirements set out by the International Accounting Standards Board (IASB) in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which authorized is a series of convertible preference shares, Series 1 (the "Preferred Shares"). The outstanding common shares at the year ended June 4, 2021 were 24,491,201 (24,491,201 as at November 30, 2020).

During the three months period ended June 4, 2021, there were 15,500 grants of performance share units ("PSUs") (Q2 2020 – nil) and a total of 98,000 PSUs granted for the six month period ended June 4, 2021 (2020 – 100,000). PSU's vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at June 4, 2021, nil of the 186,166 outstanding PSU's had vested. As at November 30, 2020, nil of the 108,750 outstanding PSU's had vested.

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 10, 2021 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, impact on critical suppliers, and impact on the Corporation's employees.

The economic downturn and uncertainty caused by the COVID-19 outbreak and measures undertaken to contain its spread continue to negatively affect all of the Corporation's operations to some extent and, in particular, 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.

ETHICAL BUSINESS CONDUCT

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

OUTLOOK

The world economy and the outlook for the commercial Aerospace industry is recovering from the COVID-19 pandemic as vaccinations ramp up globally and case counts decline. Looking forward, widespread vaccines should continue to reduce the number of cases of COVID-19 and reduce restrictions on air travel. Offsetting this could be the spread of new variants of the virus that are more easily transmissible that might or might not be controlled by existing vaccines.

On a global scale, the airline industry was dramatically weakened in 2020 with huge drops in passenger travel. Both the demand for and the capacity to finance new aircraft in the short term is reduced.

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

In commercial Air Transport, the pandemic hurt demand. Airbus had reduced production by 30-40% in 2020. They are now forecasting production increases in late 2021 but not back to pre-pandemic levels. Boeing has also been hurt by the pandemic but also by their challenges with the B737 aircraft. Although the B737 is now approved for flight in the US, Canada and Europe, there are over 400 aircraft already built that need to be delivered before significant production will resume. Meaningful production of B737 aircraft will begin in 2022. At the airline level, domestic travel is recovering faster than international travel and this is driving an expected ramp up of single aisle aircraft demand ahead of long-haul, twin aisle aircraft.

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

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

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

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

CONTROLS AND 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 Company 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 June 4, 2021, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; 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 13, 2021 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 10, 2021 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)		**June 4, 2021**		November 30, 2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**19,059**	$	19,032
Accounts receivable		**12,364**		16,795
Contract assets		**1,055**		985
Inventories		**18,179**		19,304
Prepaid expenses and other		**7,494**		3,363
		58,151		59,479
Non-current assets				
Plant and equipment, net		**11,046**		12,640
Right-of-use assets		**11,003**		12,130
Investment tax credits recoverable		**427**		1,359
Intangible and other assets, net		**860**		1,068
Total assets	**$**	**81,487**	$	86,676
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**11,043**	$	13,904
Provisions		**558**		885
Contract liabilities		**342**		388
Current portion of bank debt		**2,472**		2,931
Current portion of lease liabilities		**1,714**		1,810
Income tax payable		**730**		155
		16,859		20,073
Non-current liabilities				
Bank debt		**1,780**		3,464
Lease liabilities		**9,756**		10,659
Deferred tax payable		**870**		1,192
Total liabilities		**29,265**		35,388
Equity				
Retained earnings	**$**	**18,745**	$	19,135
Accumulated other comprehensive income		**2,350**		958
		21,095		20,093
Share capital				
Common Shares *(Note 3.1)*		**21,881**		21,881
Contributed surplus		**8,365**		8,303
Total equity attributable to FTG's shareholders		**51,341**		50,277
Non-controlling interest		**881**		1,011
Total equity		**52,222**		51,288
Total liabilities and equity	**$**	**81,487**	$	86,676

See accompanying notes.

Interim Condensed Consolidated Statements of Earnings (Loss)

	Three months ended		Six months ended	
(Unaudited)	**June 4,**	May 29,	**June 4,**	May 29,
(in thousands of Canadian dollars, except per share amounts)	**2021**	2020	**2021**	2020
Sales	**$ 20,330**	$ 26,822	**$ 39,300**	$ 51,360
Cost of sales				
Cost of sales	**13,467**	16,678	**27,332**	35,877
Depreciation of plant and equipment	**1,037**	1,069	**2,114**	2,063
Depreciation of right-of-use assets	**372**	401	**738**	786
Total cost of sales	**14,876**	18,148	**30,184**	38,726
Gross margin	**5,454**	8,674	**9,116**	12,634
Expenses				
Selling, general and administrative	**2,659**	4,056	**5,350**	7,487
Research and development costs	**1,531**	1,583	**2,913**	2,664
Recovery of investment tax credits	**(179)**	(203)	**(306)**	(375)
Depreciation of plant and equipment	**62**	54	**125**	100
Depreciation of right-of-use assets	**17**	13	**34**	25
Amortization of intangible assets	**70**	97	**159**	396
Interest expense on bank debt, net	**28**	57	**67**	98
Accretion on lease liabilities	**122**	141	**248**	278
Stock based compensation	**22**	40	**62**	91
Foreign exchange (gain) loss *(Note 6.2)*	**544**	(464)	**1,162**	(415)
Forgiveness of debt *(Note 6.2)*	**-**	-	**(1,336)**	-
Impairment of intangible assets	**-**	-	**-**	1,145
Total expenses	**4,876**	5,374	**8,478**	11,494
Earnings before income taxes	**578**	3,300	**638**	1,140
Current income tax expense	**554**	1,261	**1,015**	1,695
Deferred income tax expense	**35**	41	**61**	76
Total income tax expense	**589**	1,302	**1,076**	1,771
Net earnings (loss)	**$ (11)**	$ 1,998	**$ (438)**	$ (631)
Attributable to:				
Non-controlling interest	**$ (21)**	$ (36)	**$ (48)**	$ (68)
Equity holders of FTG	**$ 10**	$ 2,034	**$ (390)**	$ (563)
Earnings (loss) per share, attributable to the equity holders of FTG				
Basic *(Note 3.2)*	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)
Diluted *(Note 3.2)*	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited) (in thousands of Canadian dollars)	Three months ended **June 4, 2021**	Three months ended May 29, 2020	Six months ended **June 4, 2021**	Six months ended May 29, 2020
Net earnings (loss)	**$ (11)**	$ 1,998	**$ (438)**	$ (631)
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	**(1,079)**	518	**(1,507)**	766
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 6.1, Note 6.2)*	**2,697**	(478)	**3,757**	(860)
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	**(675)**	120	**(940)**	216
	943	160	**1,310**	122
Total comprehensive income (loss)	**$ 932**	$ 2,158	**$ 872**	$ (509)
Attributable to:				
Equity holders of FTG	**$ 1,024**	$ 2,187	**$ 1,002**	$ (466)
Non-controlling interest	**$ (92)**	$ (29)	**$ (130)**	$ (43)

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

Six months ended June 4, 2021	**Attributed to the equity holders of FTG**							
(Unaudited) (in thousands of Canadian dollars)	**Common shares**	**Preferred shares**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive income**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2020	**$ 21,881**	**$ -**	**$ 19,135**	**$ 8,303**	**$ 958**	**$ 50,277**	**$ 1,011**	**$ 51,288**
Net loss	-	-	**(390)**	**-**	**-**	**(390)**	**(48)**	**(438)**
Stock-based compensation	-	-	**-**	**62**	**-**	**62**	**-**	**62**
Other comprehensive income (loss)	-	-	**-**	**-**	**1,392**	**1,392**	**(82)**	**1,310**
Balance, June 4, 2021	**$ 21,881**	**$ -**	**$ 18,745**	**$ 8,365**	**$ 2,350**	**$ 51,341**	**$ 881**	**$ 52,222**

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	760			(760)	-	-	-	-
Common shares repurchase and issue on exercise of PSU's	(420)	-	-	-	-	(420)	-	(420)
Other comprehensive income (loss)	-	-	-	-	97	97	25	122
Balance, May 29, 2020	$ 19,663	$ 2,218	$ 17,182	$ 8,264	$ (1,457)	$ 45,870	$ 1,051	$ 46,921

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended **June 4, 2021**	 May 29, 2020	Six months ended **June 4, 2021**	 May 29, 2020
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net loss	**$ (11)**	$ 1,998	**$ (438)**	$ (631)
Items not affecting cash and cash equivalents:				
Stock-based compensation	**22**	40	**62**	91
Loss on disposal of plant and equipment	**-**	-	**1**	6
Effect of exchange rates on U.S. dollar bank debt	**(95)**	145	**(284)**	198
Depreciation of plant and equipment	**1,099**	1,123	**2,239**	2,163
Depreciation of right-of-use assets	**389**	414	**772**	811
Amortization of intangible assets	**70**	97	**159**	396
Amortization, other	**13**	8	**25**	11
Impairment of intangible assets	**-**	-	**-**	1,145
Investment tax credits/deferred income taxes	**(26)**	518	**46**	605
Accretion on lease liabilities	**122**	141	**248**	278
Forgiveness of debt *(Note 6.2)*	**-**	-	**(1,336)**	-
Net change in non-cash operating working capital *(Note 5)*	**1,381**	(70)	**1,870**	3,666
	2,964	4,414	**3,364**	8,739
Investing activities				
Additions to plant and equipment	**(617)**	(1,439)	**(995)**	(2,485)
Recovery of contract and other costs	**12**	43	**22**	49
Additions to deferred financing costs	**-**	-	**(8)**	-
	(605)	(1,396)	**(981)**	(2,436)
Net cash flow from operating and investing activities	**2,359**	3,018	**2,383**	6,303
Financing activities				
Proceeds from bank debt *(Note 11.2)*	**-**	3,309	**-**	3,309
Repayments of bank debt	**(226)**	(535)	**(458)**	(1,038)
Lease liability payments	**(447)**	(466)	**(899)**	(912)
Repurchase of common shares on exercise of PSU's *(Note 13.1)*	**-**	(420)	**-**	(420)
	(673)	1,888	**(1,357)**	939
Effects of foreign exchange rate changes on cash flow	**(700)**	(800)	**(999)**	(631)
Net increase in cash flow	**986**	4,106	**27**	6,611
Cash and cash equivalents, beginning of the period	**18,073**	10,152	**19,032**	7,647
Cash and cash equivalents, end of period	**$ 19,059**	$ 14,258	**$ 19,059**	$ 14,258
Disclosure of cash payments				
Payment for interest	**$ 29**	$ 54	**$ 71**	$ 109
Payments for income taxes	**$ 397**	$ 138	**$ 594**	$ 1,117

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 and six months ended June 4, 2021 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 13, 2021.

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, 2020, 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, 2020.

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

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

3. SHARE CAPITAL

3.1 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 as at June 4, 2021 were 24,491,201 (November 30, 2020 – 24,491,201).

During the three months ended June 4, 2021, the Corporation granted 15,500 performance share units ("PSU's") (2020 – nil). During the six months ended June 4, 2021, the Corporation granted 98,000 performance share units ("PSU's") (2020 – 100,000), 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 or by purchasing from the open market.

As at June 4, 2021, nil of the 186,166 (November 30, 2020 – nil of the 108,750) outstanding PSU's had vested or were exercisable.

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

3.2 Earnings (loss) per share

	Three months ended		Six months ended	
	June 4, 2021	May 29, 2020	**June 4, 2021**	May 29, 2020
Numerator				
Net earnings (loss)	**$ (11)**	$ 1,998	**$ (438)**	$ (631)
Net loss attributable to non-controlling interests	**(21)**	(36)	**(48)**	(68)
Net earnings (loss) attributable to equity holders of FTG	**$ 10**	$ 2,034	**$ (390)**	$ (563)
Numerator for basic loss per share - net earnings (loss) applicable to Common Shares	**$ 10**	$ 2,034	**$ (390)**	$ (563)
Numerator for diluted loss per share - net earnings (loss) applicable to Common Shares	**$ 10**	$ 2,034	**$ (390)**	$ (563)
Denominator				
Denominator for basic loss per share - weighted average number of Common Shares outstanding	**24,491,201**	22,716,201	**24,491,201**	22,716,201
Effect of dilutive securities				
Number of Preferred Shares	**-**	1,775,000	**-**	-
Number of PSU's	**186,166**	117,500	**-**	-
Denominator for diluted loss per share - weighted average number of Common Shares outstanding and assumed conversions	**24,677,367**	24,608,701	**24,491,201**	22,716,201
Loss per share data attributable to the equity holders of FTG				
Basic earnings (loss) per share	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)
Diluted earnings (loss) per share	**$ 0.00**	$ 0.08	**$ (0.02)**	$ (0.02)

The Corporation has nil voting convertible Series 1 Preferred Shares outstanding as at June 4, 2021 (May 29, 2020 – 1,775,000). The Corporation has 186,166 PSU's outstanding as at June 4, 2021 (May 29, 2020 – 117,500). The convertible Series 1 Preferred Shares and PSU's (dilutive securities) were included in calculating diluted earnings per share for the three months ended June 4, 2021 and May 29, 2020 as the Corporation had net earnings. The dilutive securities were not included in calculating diluted loss per share for the six months ended June 4, 2021 and May 29, 2020 as the Corporation had net loss.

3.3 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.

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

The managed capital as at June 4, 2021 of $55,593 (November 30, 2020 – $56,672) is comprised of total equity attributable to FTG's shareholders of $51,341 (November 30, 2020 – $50,277) and bank debt of $4,252 (November 30, 2020 – $6,395).

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

4. INCOME TAX EXPENSE

The Corporation's tax expense is calculated based on the best estimate of the weighted average annual income tax rate expected for the full financial year by using the rates applicable in each of the tax jurisdictions that the Corporation operates in.

5. 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**	
	June 4, 2021 $	May 29, 2020 $	**June 4, 2021 $**	May 29, 2020 $
Accounts receivable, contract assets	**743**	111	**4,372**	1,855
Inventories	**659**	(2,777)	**1,128**	(1,292)
Prepaid expenses	**270**	670	**(380)**	677
Contract liabilities	**(135)**	(859)	**(48)**	3,079
Accounts payable and accrued liabilities, and provisions	**(254)**	2,413	**(3,402)**	(129)
Income tax payable	**98**	372	**200**	(524)
	1,381	(70)	**1,870**	3,666

6. FINANCIAL INSTRUMENTS

6.1 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 June 4, 2021 and November 30, 2020.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at June 4, 2021 and November 30, 2020.

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 June 4, 2021 and November 30, 2020.

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

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

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

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

Bank debt:

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

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 6.2*) is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on June 4, 2021. The forward current value (fair value) of these financial instruments as at June 4, 2021 included a net unrealized gain of $5,326 (November 30, 2020 – $1,569), which consists of an unrealized gain on foreign exchange forward contracts of $5,394 (November 30, 2020 – $1,680) and an unrealized gain on gold forward contracts of $21 (November 30, 2020 – $19), offset by an unrealized loss on interest rate swaps of $89 (November 30, 2020 – $130). The financial instruments are designated as cash flow hedges and the related unrealized gain, net of $1,332 in tax (November 30, 2020 – $392), is included in other comprehensive income (loss).

6.2 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 three (November 30, 2020 – three) interest rate swaps as at June 4, 2021.

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 located in the United States, providing a natural economic hedge for a portion of the Corporation's currency exposure.

During the three and six months ended June 4, 2021, net realized gain of $551 and $882, respectively (2020 – loss of $518 and $831, respectively), from settlements of foreign exchange forward contracts designated as cash flow hedges was included in 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 during the periods presented that were denominated in U.S. dollars, is set out in the table below:

			June 4, 2021	November 30, 2020
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**7,187**	**667**	**7,854**	11,554
Accounts receivable, contract assets	**5,829**	**3,495**	**9,324**	12,805
Accounts payable and accrued liabilities, contract liabilities and current portion of lease liabilities	**(2,039)**	**(4,094)**	**(6,079)**	(6,946)
Total bank borrowings	**(2,179)**	**(1,337)**	**(3,516)**	(4,954)
Balance sheet exposure, excluding financial derivatives	**8,798**	**(1,269)**	**7,529**	12,459
Reporting date CAD:USD exchange rate			**1.2084**	1.2965

	Three months ended			
			June 4, 2021	May 29, 2020
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**8,507**	**6,406**	**14,913**	19,378
Operating expenses	**(3,357)**	**(7,711)**	**(11,068)**	(11,562)
Net exposure	**5,150**	**(1,305)**	**3,845**	7,816

	Six months ended			
			June 4, 2021	May 29, 2020
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**17,245**	**11,755**	**29,000**	37,400
Operating expenses	**(6,108)**	**(14,397)**	**(20,505)**	(23,846)
Net exposure	**11,137**	**(2,642)**	**8,495**	13,554

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 and six months ended June 4, 2021 and May 29, 2020 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

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

	Three months ended			
			June 4, 2021	May 29, 2020
Source of net earnings/loss variability from changes in foreign exchange rates	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Balance sheet exposure, excluding financial derivatives	**(88)**	**13**	**(75)**	(81)
Net sales and operating expenses (net exposure)	**(51)**	**13**	**(38)**	(78)
Net exposure	**(139)**	**26**	**(113)**	(159)

	Six months ended			
			June 4, 2021	May 29, 2020
Source of net earnings/loss variability from changes in foreign exchange rates	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Balance sheet exposure, excluding financial derivatives	**(88)**	**13**	**(75)**	(81)
Net sales and operating expenses (net exposure)	**(111)**	**26**	**(85)**	(136)
Net exposure	**(199)**	**39**	**(160)**	(217)

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 June 4, 2021 was RMB 4,643 or $877 (November 30, 2020 – RMB 3,609 or $711) including RMB 2,559 or $483 of short-term deposit with a financial institution with maturity of less than 1 year (November 30, 2020 – RMB 2,539 or $500). With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the three and six months ended June 4, 2021 would decrease by approximately $9 and $9, respectively (2020 – $9 and $9, 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.

<u>Derivative Financial Instruments and Hedge Accounting</u>

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 no more than thirty six months as at June 4, 2021 and November 30, 2020:

As at	**Currency sold**	**Currency bought**	**Notional value**	**Forward value at transaction date**	**Forward current value**	**Unrealized gain**
June 4, 2021	**USD**	**CAD**	**$52,000**	**$68,382**	**$62,987**	**$5,394**
November 30, 2020	USD	CAD	$54,000	$71,730	$70,050	$1,680

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

As at June 4, 2021 and November 30, 2020, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other. This net unrealized gain in other comprehensive income (loss) is expected to be realized through net earnings (loss) 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 June 4, 2021, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 450 ounces of gold (November 30, 2020 – 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.24 per ounce (November 30, 2020 – $2.28) expiring quarterly from June 2021. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

As at	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized gain
June 4, 2021	**Gold forward contract**	**450 ounces**	**$1,007**	**$850**	**$21**
November 30, 2020	Gold forward contracts	600 ounces	$1,366	$1,385	$19

As at June 4, 2021 and November 30, 2020, the gold forward contracts are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This unrealized loss in other comprehensive loss is expected to be reclassified to the interim condensed consolidated statements of loss over the next six 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 June 4, 2021 retained in other comprehensive loss related to these contracts are expected to be recognized through net earnings on the interim condensed consolidated statement of earnings (loss) in fiscals 2021, 2022, 2023 and 2024.

Interest rate swaps

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 US$2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US$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 June 4, 2021 included an unrealized loss of $14 (November 30, 2020 – unrealized loss of $21) which is included in other comprehensive 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 US$1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US$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 June 4, 2021 included an unrealized loss of $42 (November 30, 2020 – unrealized loss of $60) which is included in other comprehensive loss and accounts payable and accrued liabilities.

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

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 US$1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US$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 June 4, 2021 had an unrealized loss of $33 (November 30, 2020 – unrealized loss of $49) which is included in other comprehensive loss and accounts payable and accrued liabilities.

The table below summarizes the net unrealised loss related to interest rate swaps as at June 4, 2021 and November 30, 2020:

As at	Nature of contracts	Net unrealized loss
June 4, 2021	**Interest rate swaps**	**($89)**
November 30, 2020	Interest rate swaps	($130)

Credit risk

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 June 4, 2021, the Corporation's largest and second largest customer accounted for approximately 28.4% and 9.0% of sales (2020 – 24.0% and 9.0%), respectively. During the six months ended June 4, 2021, the Corporation's largest and second largest customer accounted for approximately 25.8% and 9.2% of sales (2020 – 24.5% and 9.8%), 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.

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.

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

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 3.3*. 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 June 4, 2021 and November 30, 2020:

					June 4, 2021	November 30, 2020
	Less than 1 year **$**	**1 to 2 years** **$**	**2 to 5 years** **$**	**More than 5 years** **$**	**Amount** **$**	Amount $
Bank debt[1] (committed facility)	901	917	815	**-**	**2,633**	3,318
Bank debt PPP Loans	1,616	-	-	**-**	**1,616**	3,072
Bank debt interest payments	103	57	28	-	**188**	280
Accounts payable and accrued liabilities, and provisions	11,601	-	-	-	**11,601**	14,789
Contract liabilities	342	-	-	-	**342**	388
Lease liabilities (undiscounted contractual cash flows)	1,675	1,444	3,842	7,495	**14,456**	15,769
Operating leases	215	108	73	-	**396**	605
	19,653	**2,526**	**4,758**	**7,495**	**34,432**	37,941

1. Bank debt as at June 4, 2021 is offset by $25 of deferred financing charge ($28 as at November 30, 2020).

Paycheck Protection Program Loans

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

During the three and six months ended June 4, 2021, $nil and 1,336 (US$1,032) of the PPP loans were fully forgiven, respectively (2020 – $nil and $nil, respectively). As at June 4, 2021, the remaining PPP loan balance is $1,616 (US$1,337) (November 30, 2020 – $3,105 or US$2,369).

Subsequent to June 4, 2021, the remaining PPP loan balance of $1,616 was fully forgiven.

In addition to the PPP loans, the corporation had bank debt of $2,633 as at June 4, 2021 (November 30, 2020 – $3,290).

Canada Emergency Wage Subsidy

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

Accordingly, the Corporation applied for the CEWS to the extent it met the requirements to receive the subsidy. During the three and six months ended June 3, 2021, the Corporation recorded $1,188 and $2,188, respectively (2020 – $823 and $823, respectively), in government subsidies as a reduction to operating expenses in the interim condensed consolidated statement of loss.

7. 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 June 4, 2021			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	13,518	8,086	-	21,604
Inter-company sales	(534)	(740)	-	(1,274)
Net sales	12,984	7,346	-	20,330
Cost of sales and selling, general and administrative expenses	9,468	6,111	569	16,148
Research and development costs	1,056	475	-	1,531
Recovery of investment tax credits	(104)	(75)	-	(179)
Depreciation of plant and equipment	865	184	50	1,099
Depreciation of right-of-use assets	191	186	12	389
Amortization of intangible assets	36	34	-	70
Foreign exchange loss (gain) on conversion of assets and liabilities	292	(21)	273	544
Earnings (loss) before interest and income taxes	1,180	452	(904)	728
Interest expense on bank debt, net	-	-	28	28
Accretion on lease liabilities	77	45	-	122
Income tax expense	-	-	589	589
Net earnings (loss)	1,103	407	(1,521)	(11)
Other operating segments disclosures:				
Additions to plant and equipment	552	65	-	617

	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 loss (gain) on conversion of 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	89	51	1	141
Income tax expense	-	-	1,302	1,302
Net earnings (loss)	3,754	562	(2,318)	1,998
Other operating segments disclosures:				
Additions to plant and equipment	1,390	29	-	1,419

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

	Six months ended June 4, 2021			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**26,189**	**16,414**	**-**	**42,603**
Inter-company sales	**(1,220)**	**(2,083)**	**-**	**(3,303)**
Net sales	**24,969**	**14,331**	**-**	**39,300**
Cost of sales and selling, general and administrative expenses	**18,905**	**12,711**	**1,126**	**32,742**
Research and development costs	**2,281**	**633**	**-**	**2,914**
Recovery of investment tax credits	**(188)**	**(118)**	**-**	**(306)**
Depreciation of plant and equipment	**1,756**	**384**	**99**	**2,239**
Depreciation of right-of-use assets	**384**	**364**	**24**	**772**
Amortization of intangible assets	**67**	**92**	**-**	**159**
Forgiveness of debt	**(645)**	**(691)**	**-**	**(1,336)**
Foreign exchange loss on conversion of assets and liabilities	**548**	**227**	**387**	**1,162**
Earnings (loss) before interest and income taxes	**1,861**	**729**	**(1,636)**	**954**
Interest expense on bank debt, net	**-**	**-**	**67**	**67**
Accretion on lease liabilities	**157**	**91**	**1**	**249**
Income tax expense	**-**	**-**	**1,076**	**1,076**
Net earnings (loss)	**1,704**	**638**	**(2,780)**	**(438)**
Other operating segments disclosures:				
Additions to plant and equipment	**916**	**79**	**-**	**995**

	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 (gain) on conversion of 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	174	102	2	278
Income tax expense	-	-	1,771	1,771
Net earnings (loss)	4,540	(1,386)	(3,785)	(631)
Other operating segments disclosures:				
Additions to plant and equipment	2,323	162	-	2,485

(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 June 4, 2021			As at November 30, 2020		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**61,876**	**19,611**	**81,487**	59,577	27,099	86,676
Intangible and other assets	**629**	**231**	**860**	746	322	1,068
Total segment liabilities	**22,029**	**7,236**	**29,265**	30,403	4,985	35,388

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

	Three months ended				**Six months ended**			
	June 4, 2021	**%**	May 29, 2020	%	**June 4, 2021**	**%**	May 29, 2020	%
Canada	**$ 2,067**	**10.2**	$ 1,852	6.9	**$ 4,459**	**11.3**	$ 3,591	7.0
United States	**14,694**	**72.3**	21,065	78.5	**29,478**	**75.1**	39,397	76.7
Asia	**2,060**	**10.1**	2,797	10.4	**3,241**	**8.2**	6,053	11.8
Europe	**1,410**	**6.9**	873	3.3	**2,009**	**5.1**	1,781	3.5
Other	**99**	**0.5**	235	0.9	**113**	**0.3**	538	1.0
Total	**$ 20,330**	**100.0**	$ 26,822	100.0	**$ 39,300**	**100.0**	$ 51,360	100.0

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

	As at June 4, 2021			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible and other assets (by location of division)	**209**	**383**	**268**	**860**
Plant and equipment (by location of division)	**5,486**	**4,107**	**1,453**	**11,046**
Right-of-use assets (by location of division)	**6,422**	**4,343**	**238**	**11,003**

	As at November 30, 2021			
	Canada	United States	Asia	Total
	$	$	$	$
Intangible and other assets (by location of division)	212	575	281	1,068
Plant and equipment (by location of division)	6,335	4,621	1,684	12,640
Right-of-use assets (by location of division)	6,700	5,107	323	12,130

The Corporation's primary sources of revenue are as follows:	Three months ended		Six months ended	
	June 4, 2021	May 29, 2020	**June 4, 2021**	May 29, 2020
	$	$	**$**	$
Sale of goods	**19,885**	26,599	**38,457**	50,889
Services	**445**	223	**843**	471
	20,300	26,822	**39,300**	51,360

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

Timing of revenue recognition based on transfer of control is as follows:	Three months ended		Six months ended	
	June 4, 2021	May 29, 2020	**June 4, 2021**	May 29, 2020
	$	$	**$**	$
At a point of time	**19,885**	26,599	**38,457**	50,889
Over time	**445**	223	**843**	471
	20,300	26,822	**39,300**	51,360

During the three months ended June 4, 2021, there were two customers in the United States that accounted for 28.4% and 9.0% of the total net sales, respectively - the largest customer accounted for approximately $5,775 of net sales (of which 55.6% was in Circuits segment and the remaining 44.4% in the Aerospace segment) and the second largest customer accounted for approximately $1,820 of net sales (of which 47.9% was in Circuits segment and the remaining 52.1% in the Aerospace segment).

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 six months ended June 4, 2021, there were two customers in the United States that accounted for 25.8% and 9.2% of the total net sales, respectively - the largest customer accounted for approximately $10,132 of net sales (of which 62.1% was in Circuits segment and the remaining 37.9% in the Aerospace segment) and the second largest customer accounted for approximately $3,601 of net sales (of which 48.4% was in Circuits segment and the remaining 51.6% 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).

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