FIRAN TECHNOLOGY GROUP CORPORATION

Second Quarter Report
For the period ended
May 31, 2024

July 9, 2024

July 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(dollar amounts stated in thousands of Canadian dollars unless otherwise specified)

This Management's Discussion and Analysis ("MD&A") for the three months ended May 31, 2024 (second quarter of fiscal 2024 or Q2 2024) is as of July 9, 2024 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 2024, 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, 2023 (Fiscal 2023) and, accordingly, the purpose of this document is to provide a second quarter update to the information contained in the fiscal 2023 MD&A. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 6, 2024, found on SEDAR at www.sedarplus.ca 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 the following locations:

- Toronto, Ontario, Canada
- Minnetonka, Minnesota, USA
- Chatsworth, California, USA
- Fredericksburg, Virginia, USA
- Haverhill, Massachusetts, USA
- Tianjin, China (Joint venture and sourcing arrangement with operating facilities)

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 the following locations:

- Toronto, Ontario, Canada
- Chatsworth, California, USA
- Tianjin, China

These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft.

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large U.S. aerospace and defence 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 its current strategy is to increase the utilization and operational leverage of these facilities and realize 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 these markets is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

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 its 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 2024

	Second Quarter		Year-to-Date	
(in thousands of dollars except per share amounts)	**2024** **$**	2023 $	**2024** **$**	2023 $
Sales	**38,789**	33,959	**73,764**	58,598
Gross margin	**10,808**	9,985	**19,737**	19,770
Net earnings attributable to equity holders of FTG	**2,553**	2,403	**3,603**	6,475
Weighted average number of common shares (in thousands)	**23,874,802**	23,911,002	**23,874,802**	23,913,508
Earnings per share:				
Basic	**0.11**	0.10	**0.15**	0.27
Diluted	**0.11**	0.10	**0.15**	0.27
EBITDA[1]	**6,483**	5,321	**11,037**	11,618
Total assets	**126,512**	116,089	**126,512**	116,089
Net cash position[2]	**(5,346)**	(6,354)	**(5,346)**	(6,354)
Free cash flow[3]	**2,010**	(421)	**(1,340)**	(506)

[1] *Earnings before interest, tax, depreciation and amortization ("EBITDA") is a non-IFRS measure. Please refer to the Non-IFRS Financial Measures section.*
[2] *Net cash is defined as cash and cash equivalents less bank debt and government loan.*
[3] *Free cash flow ("FCF") is a non-IFRS financial measure. Please refer to the Non-IFRS Financial Measures section.*

Sales

	Second Quarter				Year-to-Date			
	2024 **$**	2023 $	Change $	Change %	**2024** **$**	2023 $	Change $	Change %
Circuits	**29,634**	21,200	8,434	39.8	**55,530**	36,812	18,718	50.8
Aerospace	**10,138**	13,766	(3,628)	(26.4)	**20,073**	23,771	(3,698)	(15.6)
Inter-segment sales	**(983)**	(1,007)	24	(2.4)	**(1,839)**	(1,985)	146	(7.4)
Net sales	**38,789**	33,959	4,830	14.2	**73,764**	58,598	15,166	25.9

Sales for Q2 2024 increased by $4.8 million or 14.2% from Q2 2023.

- Sales in the Circuits segment grew by $8.4 million, representing a 39.8% increase compared to Q2 2023. This growth includes a $7.3 million increase from the newly acquired Circuits sites in Minnetonka and Haverhill, reflecting a full quarter of results in Q2 2024 versus one month in Q2 2023. Excluding these acquisitions, organic growth contributed $1.1 million in sales and foreign exchange rates had a negligible effect.
- Sales for the Aerospace segment decreased by $3.6 million or 26.4% as compared to Q2 2023, which is attributable to $4.4 million decrease in Simulator products sales. Timing of orders for these products has greater variability than other products sold by FTG. After normalizing the effect of Simulator products sales, the Aerospace segment sales improved by $0.8 million.

Year-to-date in 2024, revenue increased by $15.2 million. This growth includes a $16.8 million increase from newly acquired sites, reflecting six months of results compared to one month in 2023, as well as $6.7

million of organic growth. The sales growth was partially offset by a $7.5 million decrease in sales of Simulator products as well as the impact of the Aerospace Toronto strike in Q1 2024.

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

Second Quarter

	2024		2023		Change	
	$	**%**	$	%	$	%
Canada	**1,810**	**4.7**	2,583	7.6	(773)	(29.9)
United States	**31,221**	**80.5**	26,621	78.4	4,600	17.3
Asia	**3,650**	**9.4**	2,461	7.2	1,189	48.3
Europe	**1,520**	**3.9**	2,182	6.4	(662)	(30.3)
Other	**588**	**1.5**	112	0.4	476	425.0
Total	**38,789**	**100.0**	33,959	100.0	4,830	14.2

Year-to-Date

	2024		2023		Change	
	$	**%**	$	%	$	%
Canada	**3,825**	**5.2**	4,441	7.6	(616)	(13.9)
United States	**59,382**	**80.5**	44,321	75.6	15,061	34.0
Asia	**6,894**	**9.3**	5,574	9.5	1,320	23.7
Europe	**2,972**	**4.0**	3,617	6.2	(645)	(17.8)
Other	**691**	**1.0**	645	1.1	46	7.1
Total	**73,764**	**100.0**	58,598	100.0	15,166	25.9

In Q2 2024, sales in the United States increased compared to Q2 2023, while sales in Canada decreased. The $5.4 million increase in U.S. sales over Q2 2023 was primarily driven by the two newly acquired sites, which predominantly serve U.S.-based customers, partially offset by a decline in Simulator sales. Sales in Canada decreased due to decline in Simulator sales.

In the year-to-date period for 2024, sales in United States increased while sales in Canada decreased for the same reasons as the most recent quarter.

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

	Second Quarter		**Year-to-Date**	
	2024	2023	**2024**	2023
	%	%	**%**	%
Largest customer	**19.6**	17.6	**18.1**	19.5
Second largest customer	**10.2**	11.1	**14.1**	10.9
Third to fifth largest customers	**26.2**	23.9	**28.7**	24.6
Largest five customers	**56.0**	52.6	**60.9**	55.0

Gross Margin

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2024**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Gross profit	**10,808**	9,985	823	8.2	**19,737**	19,770	(33)	(0.2)
% of net sales	**27.9%**	29.4%			**26.8%**	33.7%		
Government assistance included in gross profit	**-**	279	(279)	(100.0)	**-**	3,842	(3,842)	(100.0)
Gross profit excluding government assistance	**10,808**	9,706	1,102	11.4	**19,737**	15,928	3,809	23.9
% of net sales	**27.9%**	28.6%			**26.8%**	27.2%		

The increase in gross margin dollars for the second quarter of 2024 is primarily stems from higher sales volumes at the newly acquired Circuits sites and operational improvements. The gross margin rate for Q2 2024 was negatively impacted by lower productivity during an ERP system implementation at the Circuits Minnetonka site and by the loss of operating leverage in the Aerospace segment from the decline in sales of Simulator products.

On a year-to-date basis, excluding government assistance, gross profit increased by $3,809 due to contributions from the newly acquired Circuits sites and operational improvements. This was partially offset by a decrease in sales of Simulator products and the impact of the Aerospace Toronto strike in Q1 2024.

Selling, General and Administrative Expenses

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2024**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Selling, general and administrative expenses	**4,752**	4,413	339	7.7	**9,551**	8,169	1,382	16.9
% of net sales	**12.3%**	13.0%			**12.9%**	13.9%		

The increase in selling, general, and administrative expenses during Q2 2024 and on a year-to-date basis is primarily attributable to the inclusion of the newly acquired sites in 2024.

In the year-to-date period of 2023, selling, general, and administrative expenses were reduced by $549 due to ERC funds received in the U.S., which are not applicable in 2024.

The SG&A percentage of sales is lower for both Q2 2024 and the year-to-date period as the growth of expenses is below the combined organic sales growth and growth by acquisition.

Research and Development

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2024**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Research and development costs	**1,601**	1,638	(37)	(2.3)	**2,964**	2,970	(6)	(0.2)
Recovery of investment tax credits	**(173)**	(194)	21	(10.8)	**(339)**	(344)	5	(1.5)

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

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 2024, ITCs were earned from qualifying research and development expenditures in Canada.

Depreciation and Amortization

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2023**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Depreciation of plant and equipment	**1,344**	1,039	305	29.4	**2,646**	2,059	587	28.5
Depreciation of right-of-use assets	**736**	503	233	46.3	**1,455**	828	627	75.7
Amortization of intangible assets	**58**	66	(8)	(12.1)	**116**	99	17	17.2
Amortization, other	**(53)**	(31)	(22)	71.0	**(92)**	(46)	(46)	100.0
Total	**2,085**	1,577	508	32.2	**4,125**	2,940	1,185	40.3

The increase in depreciation expenses for plant and equipment in the second quarter of fiscal 2024 and year-to-date is mainly due to the timing of acquired businesses. These acquisitions contributed $158 and $351 in depreciation expenses during the second quarter and year-to-date periods, respectively. Additionally, the rise in depreciation expenses for plant and equipment in Q2 2024 and year-to-date is also driven by significant capital expenditures made in Q1 2024.

Similarly, the increase in depreciation of right-of-use assets is primarily due to the timing of acquired businesses. This timing difference resulted in year-over-year variances of $231 and $561 in depreciation expenses for plant and equipment during the second quarter and year-to-date periods, respectively.

Variances in amortization of intangible assets are mainly due to intangible assets because of the newly acquired Circuits sites in Minnetonka and Haverhill.

Variances in other amortization during the second quarter of fiscal 2024 and on a year-to-date basis are mainly due to the amortization of deferred government grants.

Interest and Accretion Expense (Income)

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2024**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Interest expenses (income) on bank debt, net	**120**	(40)	160	N/A	**207**	(193)	400	N/A
Accretion on lease liabilities	**369**	230	139	60.4	**731**	351	380	108.3
Notional interest expense on government loans	**96**	47	49	104.3	**174**	71	103	145.1
Interest and accretion expense	**585**	237	348	146.8	**1,112**	229	883	385.6

The increase in interest expense on bank debt is the result of financing costs of the acquisitions. Prior to acquiring the Circuits businesses in Minnetonka and Haverhill, the Corporation was earning interest income on its net cash balance.

Increases in accretion on lease liabilities are primarily due to the timing difference of the acquired businesses.

Foreign Exchange

The Canadian dollar spot rate, as compared to the U.S. dollar has (appreciated) depreciated as follows during the second quarter and the year-to-date period of 2024:

Second Quarter	**2024**				2023			
	May 31, 2024	**March 1, 2023**	**Change**		June 2, 2023	March 3, 2023	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.3649**	**1.3564**	**0.01**	**0.6**	1.3435	1.3610	(0.02)	(1.3)

Year-to-Date	**2024**				2023			
	May 31, 2024	**November 30, 2023**	**Change**		June 2, 2023	November 30, 2022	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.3649**	**1.3582**	**0.01**	**0.5**	1.3435	1.3508	(0.01)	(0.5)

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

	Second Quarter			Year-to-Date		
	2024	2023	Change	**2024**	2023	Change
	$	$	$	**$**	$	$
Foreign exchange (gain) loss	**46**	203	(157)	**275**	(43)	318

The foreign exchange loss for the second quarter of fiscal 2024 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 U.S. dollar balances held by the Corporation, the changes in average and quarter-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place.

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

	Second Quarter		Year-to-Date	
	2024	2023	**2024**	2023
	$	$	**$**	$
Sales before adjustment for net realized gain (loss) on f/x forward contracts designed as cash flow hedges	**39,426**	33,755	**74,756**	58,549
Add (deduct): adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**(637)**	204	**(992)**	49
Net sales	**38,789**	33,959	**73,764**	58,598
Total cost of sales	**27,981**	23,974	**54,027**	38,828
Gross margin	**10,808**	9,985	**19,737**	19,770
Gross margin %	**27.9%**	29.4%	**26.8%**	33.7%
Gross margin before f/x gain (loss)	**10,171**	9,780	**18,745**	19,721
Gross margin % before f/x gain (loss)	**26.7%**	29.0%	**25.8%**	33.7%

Income Tax Expense

	Second Quarter				Year-to-Date			
	2024	2023	Change	Change	**2024**	2023	Change	Change
	$	$	$	%	**$**	$	$	%
Current income tax expense	**1,087**	947	140	14.8	**1,743**	1,680	63	3.8
Deferred income tax expense	**35**	39	(4)	(10.3)	**68**	69	(1)	(1.4)

Income tax expenses recorded during the second quarter and the year-to-date period of 2024 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 in which the Corporation operates. The Corporation's consolidated effective tax rate differs from the statutory rates mainly as a result of tax benefits not recognized.

RECONCILIATION OF NET INCOME TO EBITDA

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

	Second Quarter		Year-to-Date	
	2024	2023	**2024**	2023
	$	$	**$**	$
Net earnings to equity holders of FTG	**2,553**	2,403	**3,603**	6,475
Add back:				
Interest and accretion expense	**585**	237	**1,112**	229
Income tax expense	**1,122**	986	**1,811**	1,749
Depreciation and amortization	**2,085**	1,577	**4,125**	2,940
Stock based compensation	**138**	118	**386**	225
EBITDA	**6,483**	5,321	**11,037**	11,618
% of net sales	**16.7%**	15.7%	**15.0%**	19.8%

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

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

	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	**Q2-24**
Circuit segment sales	$14,577	$15,578	$15,612	$21,200	$27,230	$27,812	$25,896	**$29,634**
Aerospace segment sales	9,637	9,141	10,005	13,766	10,014	12,813	9,935	**10,138**
Inter-segment sales	(1,119)	(969)	(978)	(1,007)	(633)	(634)	(856)	**(983)**
Total net sales	23,095	23,750	24,639	33,959	36,611	39,991	34,975	**38,789**
Earnings before income taxes	1,250	960	4,864	3,438	2,338	3,410	1,812	**3,737**
Net earnings attributable to equity holders of FTG	723	694	4,072	2,403	1,320	3,826	1,050	**2,553**
Earnings (Loss) per share:								
Basic	$0.03	$0.03	$0.17	$0.10	$0.06	$0.16	$0.04	**$0.11**
Diluted	$0.03	$0.03	$0.17	$0.10	$0.05	$0.16	$0.04	**$0.11**
Quarterly average CDN$ US$ exchange rates	$1.2907	$1.3494	$1.3493	$1.3562	$1.3333	$1.3656	$1.3453	**$1.3627**

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

	May 31, 2024 **$**	November 30, 2023 $
Total liquidity (cash, accounts receivable, contract assets and inventory)	**72,283**	72,156
Unused credit facilities[1]	**23,085**	22,591
Working capital	**44,767**	41,051

[1] U.S. $16.9 million (2023 – U.S. $16.6 million)

	Q2 2024 **$**	Q4 2023 $
Accounts receivables days outstanding	**59**	64
Inventory days outstanding	**120**	113
Accounts payable days outstanding	**67**	78

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

The Corporation was in compliance with all of its financial loan covenants as at May 31, 2024.

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

The following table outlines the contractual obligations of the Corporation as at May 31, 2024.

	Less than 1 year $	1 to 2 years $	2 to 5 years $	More than 5 years $	Amount $
Bank debt principal repayments	812	646	2,625	-	**4,083**
Bank debt interest payments	199	218	77	-	**494**
Accounts payable and accrued liabilities, and provisions	21,457	-	-	-	**21,457**
Contract liabilities	2,051	-	-	-	**2,051**
Income tax payable	-	-	-	-	**-**
Lease liabilities (undiscounted contractual cash flows)	3,259	3,118	7,518	925	**14,820**
Operating leases	-	-	-	-	**-**
Government loan	-	1,396	4,187	1,265	**6,848**
Government loan interest payment	-	39	53	-	**92**
Contingent consideration	2,241	-	-	-	**2,241**
	30,019	**5,417**	**14,460**	**2,190**	**52,086**

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 and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on May 31, 2024. The table below summarizes the unrealized gains (losses) included in the fair values:

	May 31, 2024 **$**	November 30, 2023 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(1,374)**	(2,572)
Gold forward contracts	**419**	229
Interest rate swaps	**3**	8
Net unrealized gains (losses) of derivative instruments	**(952)**	(2,335)
Tax effect	**238**	584
Included in accumulated other comprehensive income	**(714)**	(1,751)

The Corporation entered into interest rate swaps to hedge certain of its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) is included in other comprehensive loss and accounts payable and accrued liabilities as at May 31, 2024 and November 30, 2023. The table below summarizes the Corporation's interest rate swaps:

Date	Corresponding Loan description	Loan interest rate	Interest rate swap	Unrealized gain May 31, 2024	Unrealized gain November 30, 2023
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	SOFR rate plus 215 basis points	4.96%	**$1**	$4
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	SOFR rate plus 215 basis points	5.08%	**$2**	$4
				$3	$8

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

	Second Quarter		Year-to-Date	
	2024	2023	**2024**	2023
	$	$	**$**	$
Additions to plant and equipment	**1,195**	1,830	**4,632**	2,463
Increase (Decrease) in non-current deposits	**(182)**	331	**(503)**	715

Net capital expenditures during fiscal 2024 included new equipment investments primarily for the Circuits Segment. Equipment investments are driven by in-sourcing of certain manufacturing and test processes, productivity improvements and replacement of aged equipment.

CASH FLOW

	Second Quarter			Year-to-Date		
	2024	2023	Change	**2024**	2023	Change
	$	$	$	**$**	$	$
Operating activities	**3,719**	2,514	1,205	**4,798**	3,921	877
Investing activities	**(1,002)**	(28,360)	27,358	**(4,125)**	(21,089)	16,964
Financing activities	**(516)**	4,462	(4,978)	**(817)**	4,422	(5,239)
Free cash flow	**2,010**	(421)	2,431	**(1,340)**	(506)	(834)

Cash flow from operations in the second quarter of 2024 increased from the same period last year mainly due to increased net earnings and higher depreciation costs.

On a year-to-date basis, cash flow from operating activities is increased by $0.8 million over the prior year period. The decrease in net earnings of $2.8M is offset by increased depreciation costs and reduced cash used for growth of non-cash operating working capital.

Investing activities in the second quarter of fiscal 2024 included $1,195 of capital expenditures, partially offset by $182 of decrease in non-current deposits. Investing cash flow in Q2 2023 included $26,254 of cash used for business acquisitions which was absent in Q2 2024. Investing activities on a year-to-date basis in fiscal 2024 included $4,632 of capital expenditures, while 2023 included $26,254 of cash used for business acquisitions and $8,382 cash proceeds from sales of the Aerospace Chatsworth facility.

Cash from financing activities in the second quarter of fiscal 2024 includes $703 of proceeds from government debt (Q2 2023 - $1,686), while in Q2 2023 it also included $4,073 of proceeds from bank debt.

On a year-to-date basis, cash from financing activities includes $1,856 of proceeds from government debt (2023 - $2,289), while in 2023 it also included $4,073 of proceeds from bank debt.

Free cash flow in Q2 2024 increased by $2.4M, primarily as a result of increased operating cashflow and reduced capital expenditures compared to Q2 2023. On a year-to-date basis, free cash flow decreased by $834, primarily as a result of increased capital expenditures, partially offset by increased operating cashflow.

RELATED PARTY TRANSACTIONS

There were no related party transactions on a year-to-date basis in fiscal 2024 and 2023.

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 May 31, 2024 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. The outstanding common shares as at May 31, 2024 were 23,874,802 (November 30, 2023 – 23,874,802).

During the second quarter of 2024 the Corporation granted Nil performance share units ("PSUs") (2023 – 7,500). On a year-to-date basis, the Corporation granted 90,000 performance share units ("PSUs") (2023 – 90,000). PSUs 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 May 31, 2024, Nil of the 258,750 (November 30, 2023 – Nil of the 253,958) outstanding PSUs had vested or were exercisable.

During the second quarter of 2024 the Corporation granted Nil restricted share units ("RSUs") (2023 – Nil). On a year-to-date basis, the Corporation granted 100,000 restricted share units ("RSUs") (2023 – Nil). RSUs vest based on the achievement of a non-market performance condition. RSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at May 31, 2024 and November 30, 2023, no outstanding RSUs had vested or were exercisable.

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 6, 2024 which is available on SEDAR at www.sedar.com.

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.sedarplus.ca. 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

All sectors of the Aerospace and Defence market are seeing strong demand and growth. In the commercial aerospace market this is driven by increasing in air travel, and a drive for more energy efficient aircraft, while in the defence market it is the result of increasing geopolitical tensions and conflicts.

Air transport deliveries were over 1,100 aircraft in 2023, with Airbus having a 55-60% market share. Both Boeing and Airbus are planning continued production increases over the next few years, of up to 50%. Airbus has over 8,000 orders in backlog and Boeing has over 5,000. The bulk of the orders at both companies is for single aisle aircraft. The Federal Aviation Administration ("FAA") has placed conditions on increases to Boeing's commercial aircraft production rates above certain thresholds, pending resolution of certain quality control concerns at Boeing. The Corporation does not expect that the events at Boeing will materially impact FTG's order backlog or longer-term growth prospects.

Also in 2023, the C919 aircraft entered service in China, representing a new entry into the single aisle aircraft market. As international air travel rebounds, the production rates on twin aisle aircraft are also expected to grow in the coming years.

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

The helicopter market was less impacted by the pandemic. Production rates are impacted by overall economic conditions and the business cycles of key industries that are heavy users of helicopters, such as resource extraction and public safety. In recent years, the helicopter market has seen moderate growth.

The conflict in Ukraine is causing many NATO member states to relook at their defence spending with expectations that spending will increase in the coming years. Similarly, the conflict in the Middle East is causing increased defence spending.

FTG's backlog, resulting from increased customer demand, new program wins and acquisitions, has grown to $119.6 million at the end of Q2 2024 from $97.0 million at the end of Q4 2023.

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.

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 six months ended May 31, 2024, there have been no changes in the Corporation's internal controls over financial reporting that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

NON-IFRS FINANCIAL MEASURES

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").

The Corporation calculates EBITDA as net earnings attributable to equity holders of FTG before interest expenses (net), income tax expenses, depreciation, amortization and stock based compensation.

The Corporation calculates FCF as net cash flow from operating, investing activities and effects of foreign exchange, excluding acquisitions and divestitures of businesses and real estate, less lease liability payments.

The Corporation calculates gross margin as 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.

These non-IFRS financial measures are not generally accepted measures and should not be considered as alternatives to IFRS measures. As there is no standardized method of calculating these measures, these non-IFRS financial measures may not be directly comparable with similarly titled measures used by other companies. Management believes these non-IFRS financial measures are 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 9, 2024 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 6, 2024 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)	As at **May 31, 2024**	 November 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 6,320**	$ 6,616
Accounts receivable	**27,447**	28,679
Contract assets	**17**	300
Inventories	**38,499**	36,561
Income tax recoverable	**716**	-
Prepaid expenses and other	**2,233**	1,894
	75,232	74,050
Non-current assets		
Plant and equipment, net	**17,937**	15,982
Non-current deposits	**-**	505
Right-of-use assets	**22,294**	23,628
Intangible assets	**1,606**	1,716
Deferred tax assets	**270**	674
Deferred development costs	**147**	162
Goodwill	**9,026**	8,990
Total assets	**$ 126,512**	$ 125,707
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 20,750**	$ 24,377
Provision for product warranties	**707**	653
Contract liabilities	**2,051**	1,841
Current portion of bank debt	**629**	1,020
Current portion of government loan	**246**	175
Current portion of lease liabilities	**3,841**	3,830
Income tax payable	**-**	1,103
Current contingent consideration	**2,241**	-
	30,465	32,999
Non-current liabilities		
Bank debt	**3,361**	3,448
Government loan	**7,430**	5,585
Lease liabilities	**20,088**	21,120
Contingent consideration	**-**	2,232
Total liabilities	**61,344**	65,384
Equity		
Retained earnings	**$ 34,638**	$ 31,035
Accumulated other comprehensive income (loss)	**(209)**	(1,349)
	34,429	29,686
Share capital		
Common Shares *(Note 3.1)*	**21,150**	21,310
Contributed surplus	**8,677**	8,539
Total equity attributable to FTG's shareholders	**64,256**	59,535
Non-controlling interest	**912**	788
Total equity	**65,168**	60,323
Total liabilities and equity	**$ 126,512**	$ 125,707

Interim Condensed Consolidated Statements of Earnings

	Three months ended		Six months ended	
(Unaudited)	**May 31,**	June 2,	**May 31,**	June 2,
(in thousands of Canadian dollars, except per share amounts)	**2024**	2023	**2024**	2023
Sales	**$ 38,789**	$ 33,959	**$ 73,764**	$ 58,598
Cost of sales				
Cost of sales	**25,965**	22,498	**50,049**	36,074
Depreciation of plant and equipment	**1,298**	989	**2,558**	1,958
Depreciation of right-of-use assets	**718**	487	**1,420**	796
Total cost of sales	**27,981**	23,974	**54,027**	38,828
Gross margin	**10,808**	9,985	**19,737**	19,770
Expenses				
Selling, general and administrative	**4,752**	4,413	**9,551**	8,169
Research and development costs	**1,601**	1,638	**2,964**	2,970
Recovery of investment tax credits	**(173)**	(194)	**(339)**	(344)
Depreciation of property, plant and equipment	**46**	50	**88**	101
Depreciation of right-of-use assets	**18**	16	**35**	32
Amortization of intangible assets	**58**	66	**116**	99
Interest expense (income), net	**120**	(40)	**207**	(193)
Notional interest expense on government loans	**96**	47	**174**	71
Accretion on lease liabilities	**369**	230	**731**	351
Stock based compensation	**138**	118	**386**	225
Foreign exchange (gain) loss	**46**	203	**275**	(43)
Loss provision on sale-leaseback of building	**-**	-	**-**	30
Total expenses	**7,071**	6,547	**14,188**	11,468
Earnings before income taxes	**3,737**	3,438	**5,549**	8,302
Current income tax expense	**1,087**	947	**1,743**	1,680
Deferred income tax expense	**35**	39	**68**	69
Total income tax expense	**1,122**	986	**1,811**	1,749
Net earnings	**$ 2,615**	$ 2,452	**$ 3,738**	$ 6,553
Attributable to:				
Non-controlling interest	**$ 62**	$ 49	**$ 135**	$ 78
Equity holders of FTG	**$ 2,553**	$ 2,403	**$ 3,603**	$ 6,475
Earnings per share, attributable to the equity holders of FTG				
Basic *(Note 3.2)*	**$ 0.11**	$ 0.10	**$ 0.15**	$ 0.27
Diluted *(Note 3.2)*	**$ 0.11**	$ 0.10	**$ 0.15**	$ 0.27

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited) (in thousands of Canadian dollars)	Three months ended **May 31, 2024**	 June 2, 2023	Six months ended **May 31, 2024**	 June 2, 2023
Net earnings	**$ 2,615**	$ 2,452	**$ 3,738**	$ 6,553
Other comprehensive income (loss) to be reclassified to net earnings (loss) in subsequent periods:				
Change in foreign currency translation adjustments	**290**	(545)	**92**	(477)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 7.3)*	**1,108**	127	**1,382**	(336)
Deferred income taxes on net gain on valuation of derivative financial instruments designated as cash flow hedges	**(277)**	(32)	**(345)**	84
	1,121	(450)	**1,129**	(729)
Total comprehensive income	**$ 3,736**	$ 2,002	**$ 4,867**	$ 5,824
Attributable to:				
Equity holders of FTG	**$ 3,886**	$ 2,014	**$ 4,739**	$ 5,738
Non-controlling interest	**$ (150)**	$ (12)	**$ 128**	$ 86

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

Six months ended May 31, 2024	**Attributed to the equity holders of FTG**						
(Unaudited) (in thousands of Canadian dollars)	**Common shares**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2023	**$ 21,310**	**$ 31,035**	**$ 8,539**	**$ (1,349)**	**$ 59,535**	**$ 788**	**$ 60,323**
Net income	**-**	**3,603**	**-**	**-**	**3,603**	**135**	**3,738**
Stock-based compensation - PSU & RSU	**-**	**-**	**236**	**-**	**236**	**-**	**236**
Transfer from contributed surplus to share capital for PSU's excercised	**98**	**-**	**(98)**	**-**	**-**	**-**	**-**
Common shares repurchased and issued on exercise of PSU's	**(258)**	**-**	**-**	**-**	**(258)**	**-**	**(258)**
Repurchase and cancellation of shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**	**1,140**	**1,140**	**(11)**	**1,129**
Balance, May 31, 2024	**$ 21,150**	**$ 34,638**	**$ 8,677**	**$ (209)**	**$ 64,256**	**$ 912**	**$ 65,168**

Six months ended June 2, 2023	Attributed to the equity holders of FTG						
(Unaudited) (in thousands of Canadian dollars)	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity
Balance, November 30, 2022	$ 21,357	$ 19,521	$ 8,319	$ (867)	$ 48,330	$ 965	$ 49,295
Net income	-	6,475	-	-	6,475	78	6,553
Stock-based compensation - PSU	-	-	91	-	91	-	91
Repurchase and cancellation of shares	(14)	(14)	-	-	(28)	-	(28)
Return of capital to non-controlling interest	-	-	-	-	-	(396)	(396)
Other comprehensive income (loss)	-	-	-	(746)	(746)	17	(729)
Balance, June 2, 2023	$ 21,343	$ 25,982	$ 8,410	$ (1,613)	$ 54,122	$ 664	$ 54,786

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
(Unaudited) (in thousands of Canadian dollars)	**May 31, 2024**	June 2, 2023	**May 31, 2024**	June 2, 2023
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	**$ 2,615**	$ 2,452	**$ 3,738**	$ 6,553
Items not affecting cash and cash equivalents				
Stock-based compensation - PSU & RSU	**135**	47	**242**	91
(Gain) Loss on disposal of property, plant and equipment	**75**	-	**75**	-
Loss provision on sale-leaseback of building	**-**	-	**-**	30
Effect of exchange rates on U.S. dollar bank debt	**74**	(68)	**66**	(86)
Depreciation of property, plant and equipment	**1,344**	1,039	**2,646**	2,059
Depreciation of right-of-use assets	**736**	503	**1,455**	828
Amortization of intangible assets	**58**	66	**116**	99
Amortization, other	**(53)**	(31)	**(92)**	(46)
Notional interest expense on government loan	**96**	47	**174**	71
Deferred tax expenses	**35**	39	**68**	69
Accretion on lease liabilities	**369**	230	**731**	351
Net change in non-cash operating working capital	**(1,765)**	(1,810)	**(4,421)**	(6,098)
	3,719	2,514	**4,798**	3,921
Investing activities				
Acquisition of Holaday Circuits, LLC	**-**	(24,410)	**-**	(24,410)
Acquisition of IMI, Inc.	**-**	(1,844)	**-**	(1,844)
Proceeds from sale-leaseback of Aerospace Chatsworth facility	**-**	-	**-**	8,382
Additions to property, plant and equipment	**(1,195)**	(1,830)	**(4,632)**	(2,463)
(Increase) Decrease in non-current deposits	**182**	(229)	**503**	(715)
Recovery of contract and other costs	**11**	4	**16**	12
Additions to deferred financing costs	**-**	(51)	**(12)**	(51)
	(1,002)	(28,360)	**(4,125)**	(21,089)
Net cash flow from operating and investing activities	**2,717**	(25,846)	**673**	(17,168)
Financing activities				
Proceeds from government loans	**703**	1,686	**1,856**	2,289
Proceeds from bank debt	**-**	4,073	**-**	4,073
Repayments of bank debt	**(279)**	(247)	**(554)**	(493)
Return of capital to non-controlling interest	**-**	(396)	**-**	(396)
Lease liability payments	**(940)**	(654)	**(1,861)**	(1,021)
Repurchase of common shares on exercise of PSU's	**-**	-	**(258)**	-
Repurchase and cancellation of shares	**-**	-	**-**	(30)
	(516)	4,462	**(817)**	4,422
Effects of foreign exchange rate changes on cash flow	**233**	(175)	**(152)**	(189)
Net increase (decrease) in cash and cash equivalent	**2,434**	(21,559)	**(296)**	(12,935)
Cash and cash equivalents, beginning of the period	**3,886**	24,290	**6,616**	15,666
Cash and cash equivalents, end of period	**$ 6,320**	$ 2,731	**$ 6,320**	$ 2,731
Disclosure of cash payments				
Payments for interest	**$ 120**	$ 69	**$ 207**	$ 84
Payments for income taxes	**$ 871**	$ 578	**$ 3,149**	$ 1,730

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 May 31, 2024 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 9, 2024.

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, 2023, which are available on SEDAR at www.sedarplus.ca and on the Corporation's website at www.ftgcorp.com.

With the exceptions of the accounting policies specified below, 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, 2023.

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.

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 May 31, 2024 were 23,874,802 (November 30, 2023 – 23,874,802).

During the three months ended May 31, 2024, the Corporation granted Nil performance share units ("PSUs") (2023 – 7,500). During the six months ended May 31, 2024, the Corporation granted 90,000 performance share units ("PSUs") (2023 – 90,000), of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the 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 May 31, 2024, Nil of the 263,750 (November 30, 2023 – Nil of the 258,750) outstanding PSUs had vested or were exercisable.

During the three months ended May 31, 2024, the Corporation granted Nil restricted share units ("RSUs") (2023 – nil). During the six months ended May 31, 2024, the Corporation granted 100,000 restricted share units ("RSUs") (2023 – nil). RSUs 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 RSUs 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 May 31, 2024, nil of the 100,000 (November 30, 2023 – nil of nil) outstanding RSUs had vested or were exercisable.

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

3.2 Earnings per share

	Three months ended		Six months ended	
	May 31, 2024	June 2, 2023	**May 31, 2024**	June 2, 2023
Numerator				
Net earnings	**$ 2,615**	$ 2,452	**$ 3,738**	$ 6,553
Net earnings attributable to non-controlling interests	**62**	49	**135**	78
Net earnings attributable to equity holders of FTG	**$ 2,553**	$ 2,403	**$ 3,603**	$ 6,475
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 2,553**	$ 2,403	**$ 3,603**	$ 6,475
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 2,553**	$ 2,403	**$ 3,603**	$ 6,475
Denominator				
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**23,874,802**	23,911,002	**23,874,802**	23,913,508
Effect of dilutive securities				
Weighted average number of PSUs	**263,750**	263,360	**251,100**	248,502
Weighted average number of RSUs	**100,000**	-	**55,191**	-
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,238,552**	24,174,362	**24,181,093**	24,162,010
Earnings (loss) per share data attributable to the equity holders of FTG				
Basic earnings (loss) per share	**$ 0.11**	$ 0.10	**$ 0.15**	$ 0.27
Diluted earnings (loss) per share	**$ 0.11**	$ 0.10	**$ 0.15**	$ 0.27

The Corporation has 263,750 PSUs and 100,000 RSUs outstanding as at May 31, 2024 (June 2, 2023 – 258,750 and nil). The PSUs and RSUs were included, as dilutive securities, in calculating diluted earnings per share for the three and six months ended May 31, 2024 and June 2, 2023 as the Corporation had net earnings.

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 government financing, bank debt and total equity attributable to FTG's shareholders. The Corporation's primary uses of capital are to finance increases in non-cash working capital, research and development costs, capital expenditures and acquisitions. The Corporation currently funds these requirements from internally generated cash flows, cash, bank debt and government financing.

The Corporation's managed capital is as follows:

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

	May 31, 2024	November 30, 2023
	$	$
Total equity attributable to FTG's shareholders	**64,256**	59,535
Bank debt	**3,990**	4,468
Government loans	**7,676**	5,760
Managed capital	**75,922**	69,763

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 reviews and approves 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.

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.

3.4 Normal course issuer bid program

In April 2022, the Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish a normal course issuer bid program (the "NCIB"). The NCIB commenced on April 22, 2022 and concluded on April 21, 2023. Following the completion of the NCIB, in June 2023, the Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish a normal course issuer bid program (the "NCIB-2"). The NCIB-2 commenced on June 5, 2023 and concluded on June 4, 2024.

The NCIB and NCIB-2 permitted the purchase of up to 1,224,560 and 1,195,550 of the Corporation's Common Shares, pursuant to TSX rules, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems permitted by TSX.

Purchases were made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares was the market price of such Common Shares at the time of acquisition. For purposes of the TSX rules, a maximum of 6,546 and 5,736 Common Shares could be purchased by the Corporation on any one day under the NCIB and NCIB-2, except where purchases were made in accordance with the "block purchase exception" of the TSX rules.

During the three months ended May 31, 2024 and June 2, 2023, the Corporation did not purchase Common Shares.

During the six months ended May 31, 2024, the Corporation did not purchase Common Shares. During the six months ended June 2, 2023, the Corporation purchased and cancelled 15,899 Common Shares at a weighted average price of $1.85 per share for a total amount of $30 including commission and other transaction costs.

As at May 31, 2024, the Corporation has purchased and cancelled 616,400 shares cumulatively during the NCIB and NCIB-2.

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

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 in which the Corporation operates.

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**	
	May 31, 2024	June 2, 2023	**May 31, 2024**	June 2, 2023
	$	$	**$**	$
Accounts receivable, contract assets	**(1,394)**	(2,286)	**1,779**	(2,230)
Inventories	**(700)**	(558)	**(1,839)**	(3,924)
Prepaid expenses	**792**	(162)	**1,048**	(792)
Contract liabilities	**542**	(2,011)	**213**	(3,506)
Accounts payable and accrued liabilities, and provisions	**(1,042)**	2,894	**(3,611)**	4,579
Income tax payable	**37**	313	**(2,011)**	(225)
	(1,765)	(1,810)	**(4,421)**	(6,098)

6. FINANCIAL INSTRUMENTS

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

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at May 31, 2024 and November 30, 2023.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at May 31, 2024 and November 30, 2023.

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 financial instrument held by the Corporation in this level is contingent consideration as at May 31, 2024. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2023.

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.

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

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

6.1 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.

6.2 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.

6.3 Derivative instruments

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on May 31, 2024. The table below summarizes the unrealized gains (losses) included in the fair values:

	May 31, 2024	November 30, 2023
	$	$
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(1,374)**	(2,572)
Gold forward contracts	**419**	229
Interest rate swaps	**3**	8
Net unrealized losses of derivative instruments	**(952)**	(2,335)
Tax effect	**238**	584
Included in accumulated other comprehensive income	**(714)**	(1,751)

a) <u>Foreign exchange forward contracts</u>

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 May 31, 2024 and November 30, 2023:

As at	**Currency sold**	**Currency bought**	**Notional value**	**Forward value at transaction date**	**Forward current value**	**Unrealized loss**
May 31, 2024	**USD**	**CAD**	**US$49,650**	**$65,026**	**$66,402**	**($1,374)**
November 30, 2023	USD	CAD	US$54,150	$70,277	$72,849	($2,572)

As at May 31, 2024 and November 30, 2023, 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 gain (loss) and prepaid expenses and other. This net unrealized gain in other comprehensive income gain (loss) is expected to be realized through net earnings on the interim condensed consolidated statements of earnings over the next thirty-six months when the sales are recorded.

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

b) Gold forward contracts

As at May 31, 2024, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 1,050 ounces of gold (November 30, 2023 – 1,050 ounces of gold) under gold forward contracts at a contract price of approximately $2.89 per ounce (November 30, 2023 – $2.52) expiring quarterly from June 2024. 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
May 31, 2024	**Gold forward contract**	**1,050 ounces**	**$3,037**	**$3,344**	**$307**
November 30, 2023	Gold forward contract	1,050 ounces	$2,790	$3,019	$299

As at May 31, 2024 and November 30, 2023, the gold forward contracts are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss), prepaid expenses and other and accounts payable and accrued liabilities. This unrealized gain (loss) in other comprehensive income (loss) is expected to be reclassified to the interim condensed consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at May 31, 2024 retained in other comprehensive income related to these contracts are expected to be recognized through net earnings on the interim condensed consolidated statement of earnings in fiscals 2024, 2025, 2026 and 2027.

c) Interest rate swaps

The Corporation entered into interest rate swaps to hedge certain of its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive income (loss) and accounts payable and accrued liabilities as at May 31, 2024 and November 30, 2023. The table below summarizes the Corporation's interest rate swaps:

				Unrealized gain	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**May 31, 2024**	November 30, 2023
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	SOFR rate plus 215 basis points	4.96%	**$1**	$4
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	SOFR rate plus 215 basis points	5.08%	**$2**	$4
				$3	$8

7. FINANCIAL RISKS

7.1 Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk (see *Note 7.3*).

7.2 Currency risk

Currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily in U.S. dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Corporation's bank debt and most of the manufacturing materials are sourced in U.S. dollars, and also a significant portion of the headcount and operations are 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 May 31, 2024, net realized loss of $637 and $992, respectively (2023 – gain of $204 and $49), from settlements of foreign exchange forward contracts designated as cash flow hedges was included in sales in the interim condensed consolidated statements of earnings.

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

			May 31, 2024	November 30, 2023
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**987**	**1,853**	**2,840**	3,368
Accounts receivable, contract assets	**9,235**	**9,778**	**19,013**	20,206
Accounts payable and accrued liabilities, contract liabilities and current portion of lease liabilities	**(2,328)**	**(8,467)**	**(10,795)**	(11,960)
Total bank borrowings	**(2,975)**	**-**	**(2,975)**	(3,494)
Balance sheet exposure, excluding financial derivatives	**4,919**	**3,164**	**8,083**	8,120
Reporting date CAD:USD exchange rate			**1.3637**	1.3582

	Three months ended	
	May 31, 2024	June 2, 2023

(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**12,853**	**14,834**	**27,687**	23,775
Operating expenses	**(3,720)**	**(15,751)**	**(19,471)**	(13,973)
Net exposure	**9,133**	**(917)**	**8,216**	9,802

	Six months ended			
			May 31, 2024	June 2, 2023
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**24,366**	**28,378**	**52,744**	40,993
Operating expenses	**(6,680)**	**(30,256)**	**(36,936)**	(22,386)
Net exposure	**17,686**	**(1,878)**	**15,808**	18,607

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 May 31, 2024 and June 2, 2023 would change as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

	Three months ended			
			May 31, 2024	June 2, 2023
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	**(49)**	**(32)**	**(81)**	(26)
Net sales and operating expenses (net exposure)	**(91)**	**9**	**(82)**	(98)
Net exposure	**(140)**	**(23)**	**(163)**	(124)

	Six months ended			
			May 31, 2024	June 2, 2023
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	**(49)**	**(32)**	**(81)**	(26)
Net sales and operating expenses (net exposure)	**(177)**	**19**	**(158)**	(186)
Net exposure	**(226)**	**(13)**	**(239)**	(212)

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

	May 31, 2024	November 30, 2023

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

	RMB	**$**	RMB	$
Cash	**5,396**	**1,016**	3,470	660
Short-term deposit with a financial institution with maturity of less than 1 year	**4,579**	**862**	4,546	865
Balance sheet exposure	**9,975**	**1,878**	8,016	1,525

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 May 31, 2024 would decrease by approximately $19 and $19, respectively (2023 – $12 and $12, respectively). An assumed 1% weakening of the Canadian dollar versus the RMB would have had an equal but opposite effect on these amounts.

7.3 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. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. Please refer to *Note 8* for net sales to the Corporation's two largest customers during three and six months ended May 31, 2024. 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 is warranted. 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.

7.4 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in *Note 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 reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally generated cash flows and the use of its credit facility.

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

The following is the summary of contractual maturities of financial liabilities and obligations as at May 31, 2024 and November 30, 2023:

					May 31, 2024	November 30, 2023
	Less than 1 year **$**	**1 to 2 years** **$**	**2 to 5 years** **$**	**More than 5 years** **$**	**Amount** **$**	Amount $
Bank debt[1] principal repayments	812	646	2,625	-	**4,083**	4,556
Bank debt interest payments	199	218	77	-	**494**	644
Accounts payable and accrued liabilities, and provisions	21,457	-	-	-	**21,457**	25,037
Contract liabilities	2,051	-	-	-	**2,051**	1,841
Income tax payable	-	-	-	-	**-**	1,103
Lease liabilities (undiscounted contractual cash flows)	3,259	3,118	7,518	925	**14,820**	14,714
Operating leases	-	-	-	-	**-**	44
Government loan	-	1,396	4,187	1,265	**6,848**	5,695
Government loan interest payment	-	39	53	-	**92**	92
Contingent consideration	2,241	**-**	**-**	**-**	**2,241**	2,232
	30,019	**5,417**	**14,460**	**2,190**	**52,086**	55,958

1 Bank debt as at May 31, 2024 is offset by $93 of deferred financing charge ($47 as at November 30, 2023).

a) Government loans

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

Effective February 24, 2023, the Corporation was awarded up to $2,615 of funding from the Ontario Ministry of Economic Development, Job Creation and Trade pursuant to the Advanced Manufacturing and Innovation Competitiveness (AMIC) program in Ontario, Canada. This funding will be in the format of a conditional loan against qualifying investments made by FTG during a 33-month period ending November 30, 2024. The conditional loan will be non-interest bearing through November 30, 2024, with up to $500 forgivable upon achievement of specified objectives. The residual loan amount and interest accruing from December 1, 2024 at a rate of 6.81% per annum are repayable in quarterly instalments commencing February 28, 2025 and ending November 30, 2028.

As at May 31, 2024, the Corporation has received $7,027 of ARRI funding. In accordance with IFRS, the benefit of the interest-free loan has been recognized as deferred government grant in the interim condensed consolidated statements of financial position. As at May 31, 2024, the Corporation has received $523 of AMIC funding.

As at May 31, 2024, the carrying value of the loans and the deferred government grant are $6,071 and $1,603, respectively (November 30, 2023 – $4,462 and $1,298, respectively).

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b) Employee Retention Credit

The Employee Retention Credit (ERC) is a refundable tax credit in the U.S. within the CARES Act for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021.

During the three and six months ended June 2, 2023, the Corporation's U.S. operations were approved for and received $318 (US$232) and $3,758 (US$2,735) in funds pursuant to the ERC program. The funds received were recorded as reductions to cost of sales and selling, general and administrative expenses.

8. SEGMENTED INFORMATION

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

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

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

	Three months ended May 31, 2024			
	Circuits	**Aerospace**	**Eliminations and Corporate**	**Total**
	$	**$**	**$**	**$**
Gross segment sales	**29,634**	**10,138**	**-**	**39,772**
Inter-segment sales	**-**	**-**	**(983)**	**(983)**
Net sales	**29,634**	**10,138**	**(983)**	**38,789**
Cost of sales and selling, general and administrative expenses	**23,841**	**7,552**	**(538)**	**30,855**
Research and development costs	**1,270**	**331**	**-**	**1,601**
Recovery of investment tax credits	**(127)**	**(46)**	**-**	**(173)**
Depreciation of plant and equipment	**1,171**	**143**	**30**	**1,344**
Depreciation of right-of-use assets	**544**	**177**	**15**	**736**
Amortization of intangible assets	**58**	**-**	**-**	**58**
Foreign exchange (gain) loss	**(2)**	**126**	**(78)**	**46**
Earnings (loss) before interest and income taxes	**2,879**	**1,855**	**(412)**	**4,322**
Interest and notional interest expense (income), net	**83**	**10**	**123**	**216**
Accretion on lease liabilities	**294**	**75**	**-**	**369**
Income tax expense	**-**	**-**	**1,122**	**1,122**
Net earnings (loss)	**2,502**	**1,770**	**(1,657)**	**2,615**
Other operating segments disclosures:				
Additions to plant and equipment	**799**	**387**	**9**	**1,195**

	Three months ended June 2, 2023			
	Circuits	Aerospace	Eliminations and Corporate	Total
	$	$	$	$
Gross segment sales	21,200	13,766	-	34,966
Inter-segment sales	-	-	(1,007)	(1,007)
Net sales	21,200	13,766	(1,007)	33,959
Cost of sales and selling, general and administrative expenses	16,717	10,201	111	27,029
Research and development costs	1,323	315	-	1,638
Recovery of investment tax credits	(145)	(49)	-	(194)
Depreciation of plant and equipment	890	112	37	1,039
Depreciation of right-of-use assets	313	179	11	503
Amortization of intangible assets	66	-	-	66
Foreign exchange (gain) loss	115	191	(103)	203
Earnings (loss) before interest and income taxes	1,921	2,817	(1,063)	3,675
Interest expense on bank debt, net	28	4	(25)	7
Accretion on lease liabilities	149	80	1	230
Income tax expense	-	-	986	986
Net earnings (loss)	1,744	2,733	(2,025)	2,452
Other operating segments disclosures:				
Additions to plant and equipment	2,005	46	8	2,059

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

	Six months ended May 31, 2024			
	Circuits	**Aerospace**	**Eliminations and Corporate**	**Total**
	$	**$**	**$**	**$**
Gross segment sales	**55,530**	**20,073**	**-**	**75,603**
Inter-segment sales	**-**	**-**	**(1,839)**	**(1,839)**
Net sales	**55,530**	**20,073**	**(1,839)**	**73,764**
Cost of sales and selling, general and administrative expenses	**44,447**	**15,286**	**253**	**59,986**
Research and development costs	**2,425**	**539**	**-**	**2,964**
Recovery of investment tax credits	**(253)**	**(86)**	**-**	**(339)**
Depreciation of plant and equipment	**2,316**	**273**	**57**	**2,646**
Depreciation of right-of-use assets	**1,075**	**354**	**26**	**1,455**
Amortization of intangible assets	**116**	**-**	**-**	**116**
Foreign exchange (gain) loss	**180**	**276**	**(181)**	**275**
Earnings (loss) before interest and income taxes	**5,224**	**3,431**	**(1,994)**	**6,661**
Interest and notional interest expense (income), net	**150**	**18**	**213**	**381**
Accretion on lease liabilities	**579**	**151**	**1**	**731**
Income tax expense	**-**	**-**	**1,811**	**1,811**
Net earnings (loss)	**4,495**	**3,262**	**(4,019)**	**3,738**
Other operating segments disclosures:				
Additions to plant and equipment	**3,840**	**694**	**98**	**4,632**

	Six months ended June 2, 2023			
	Circuits	Aerospace	Eliminations and Corporate	Total
	$	$	$	$
Gross segment sales	36,812	23,771	-	60,583
Inter-segment sales	-	-	(1,985)	(1,985)
Net sales	36,812	23,771	(1,985)	58,598
Cost of sales and selling, general and administrative expenses	26,739	17,491	268	44,498
Research and development costs	2,405	565	-	2,970
Recovery of investment tax credits	(245)	(99)	-	(344)
Depreciation of plant and equipment	1,716	264	79	2,059
Depreciation of right-of-use assets	513	293	22	828
Amortization of intangible assets	99	-	-	99
Foreign exchange (gain) loss	183	189	(415)	(43)
Earnings (loss) before interest and income taxes	5,402	5,068	(1,939)	8,531
Interest expense (income), net	(3)	(15)	(104)	(122)
Accretion on lease liabilities	220	129	2	351
Income tax expense	-	-	1,749	1,749
Net earnings (loss)	5,185	4,954	(3,586)	6,553
Other operating segments disclosures:				
Additions to plant and equipment	2,844	326	8	3,178

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

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

	As at May 31, 2024			
	Circuits	**Aerospace**	**Corporate office**	**Total**
	$	**$**	**$**	**$**
Total segment assets	**93,324**	**31,670**	**1,518**	**126,512**
Intangible and other assets	**10,629**	**150**	**-**	**10,779**
Total segment liabilities	**40,412**	**12,840**	**8,092**	**61,344**

	As at November 30, 2023			
	Circuits	Aerospace	Corporate office	Total
	$	$	$	$
Total segment assets	92,287	31,218	2,202	125,707
Intangible and other assets	10,703	165	-	10,868
Total segment liabilities	40,245	13,212	11,927	65,384

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

	Three months ended				**Six months ended**			
	May 31, 2024		June 2, 2023		**May 31, 2024**		June 2, 2023	
	$	**%**	$	%	**$**	**%**	$	%
Canada	**1,810**	**4.7**	2,583	7.6	**3,825**	**5.2**	4,441	7.6
United States	**31,221**	**80.5**	26,621	78.4	**59,382**	**80.5**	44,321	75.6
Asia	**3,650**	**9.4**	2,461	7.2	**6,894**	**9.3**	5,574	9.5
Europe	**1,520**	**3.9**	2,182	6.4	**2,972**	**4.0**	3,617	6.2
Other	**588**	**1.5**	112	0.4	**691**	**1.0**	645	1.1
Total	**38,789**	**100.0**	33,959	100.0	**73,764**	**100.0**	58,598	100.0

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

	As at May 31, 2024			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible and other assets (by location of division)	**147**	**10,629**	**3**	**10,779**
Plant and equipment (by location of division)	**7,409**	**9,583**	**945**	**17,937**
Right-of-use assets (by location of division)	**5,041**	**16,868**	**385**	**22,294**

	As at November 30, 2023			
	Canada	United States	Asia	Total
	$	$	$	$
Intangible and other assets (by location of division)	162	10,703	3	10,868
Plant and equipment (by location of division)	6,148	8,847	987	15,982
Right-of-use assets (by location of division)	5,260	17,909	459	23,628

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

The Corporation's primary sources of revenue are as follows:	**Three months ended**		**Six months ended**	
	May 31, 2024	June 2, 2023	**May 31, 2024**	June 2, 2023
	$	$	**$**	$
Sale of goods	**38,670**	33,738	**73,527**	56,152
Services	**119**	221	**237**	446
	38,789	33,959	**73,764**	56,598

Timing of revenue recognition based on transfer of control is as follows:	Three months ended		Six months ended	
	May 31, 2024	June 2, 2023	**May 31, 2024**	June 2, 2023
	$	$	**$**	$
At a point of time	**38,670**	33,738	**73,527**	56,152
Over time	**119**	221	**237**	446
	38,789	33,959	**73,764**	56,598

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

For the three months ended May 31, 2024	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	United States, Europe & Canada	**5,573**	**2,035**	**7,608**	**19.6**
Customer B	United States, Asia & Canada	**1,948**	**1,992**	**3,940**	**10.2**

For the three months ended June 2, 2023	Location	Circuits Segment	Aerospace Segment	Total	% of FTG total net sales
		$	$	$	
Customer A	United States, Europe & Canada	4,769	1,199	5,968	17.6
Customer C	United States	-	3,772	3,772	11.1

For the six months ended May 31, 2024	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	United States, Europe & Canada	**10,343**	**2,987**	**13,330**	**18.1**
Customer B	United States, Canada & Asia	**3,516**	**6,861**	**10,377**	**14.1**

For the six months ended June 2, 2023	Location	Circuits Segment	Aerospace Segment	Total	% of FTG total net sales
		$	$	$	
Customer A	United States, Europe & Canada	9,452	1,991	11,443	19.5
Customer C	United States	-	6,414	6,414	10.9

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