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Notice to Reader

The 2023 annual report of the Corporation is being refiled as the signature on the independent auditors' report was omitted in error. No changes have otherwise been made to the annual report.

FIRAN TECHNOLOGY GROUP CORPORATION

2023 ANNUAL REPORT

CEO MESSAGE

In 2023 we continued to play offence, and it proved successful. We played offence across all aspects of our business. During the year we invested in technology in our existing sites, we grew the business organically, we adjusted pricing to offset cost inflation, we sold and leased back our building in Chatsworth, we closed two acquisitions and we continued to pursue and capture incremental government funding in support of our initiatives. Through all these actions, FTG is strategically deploying its strong cash balance in ways that will drive increased shareholder returns for the future in both the near-term and long-term.

In 2023 our sales grew because of strong demand, new program wins, price increases and revenue from our two new acquisitions. All this resulted in a 51% revenue growth in the year. We ended the year with $135M in sales, which is higher than any previous year in our history.

But the strong growth in 2023 came with other challenges, the largest ones being our ability to ramp up our production as fast as our demand grew, and working with our suppliers who were also struggling to ramp up their production. Internally we staffed up through the year and are now at the appropriate staffing levels to support the demand. We also reduced supplier issues and by year end we were starting to draw down some of our buffer inventory.

Both acquisitions are going to be important additions to FTG's business. Our market focus has always been the Aerospace and Defence market and both IMI and Holaday Circuits focus on this market. With IMI (now named FTG Circuits Haverhill), we are growing our capability to supply RF printed circuit boards to this market. RF technology is a growing market and we wanted to increase our capabilities to address it. For this site, our plans are to strengthen it with investment in equipment and to leverage our sales team to grow their revenue. Holaday Circuits (now named FTG Circuits Minnetonka) supplies high technology printed circuit boards and has similar capabilities to our Toronto plant. But with this site being in the US, we can now address certain defence markets that we could previously not access. Our plans are to ramp up production in support of existing demand, leverage FTG purchasing power to reduce costs, and strategically improve pricing. Our sales team will also be instrumental in growing this site in the coming years. In both cases, we will move them to the standard FTG ERP system as well. As 2023 ends we have made good progress in integrating both businesses into FTG.

Related to the acquisitions, and the overall growth of FTG, Leo LaCroix was hired as Executive Vice President, Circuits, to oversee the circuit board operations in the US. Leo brings extensive senior management experience in the circuit board industry, selling into the defence market. We will continue to build the strength of our team to support future growth and results.

On a different front, FTG has always had a focus on environmental, social and governance (ESG) risks and opportunities. We are continuing to drive improvements across all these areas. On the environmental front, FTG has strived, with good success, to reduce our impact on the environment through investments in areas such as water recycling and higher efficiency equipment, and we have committed further investments, some with the support of the Canadian and Ontario Governments. On social issues, FTG is committed to having a safe, secure and diverse workforce. We proactively review and improve all aspects of safety at our sites.

We remained committed to our strategy of participating in all segments of the Aerospace market including air transport, business jets, general aviation, helicopters and simulators. We remain focused on the defence market segments as well. By addressing all market segments, which move on their own unique business cycles, FTG has a more stable revenue stream as these business cycles occur.

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

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

Brad Bourne
President and CEO

February 6, 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 year ended November 30, 2023 (fiscal 2023) is as of February 6, 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 audited consolidated financial statements of the Corporation for fiscal 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 6, 2024, 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 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 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. 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 that can drive 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.

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 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.

BUSINESS HIGHLIGHTS

Business highlights in 2023 include the following:

- FTG revenues increased by 51% to $135.2 million as a result of organic growth, acquisitions and favourable foreign exchange rates. Each quarter of fiscal 2023 experienced revenue growth from the prior sequential quarter.
- FTG acquired Holaday Circuits, LLC of Minnetonka, Minnesota, subsequently renamed as FTG Circuits Minnetonka LLC, and IMI, Inc. of Haverhill, Massachusetts, subsequently renamed as FTG Circuits Haverhill Inc., both of which closed on April 28, 2023. Both businesses are included in the FTG Circuits segment, with their financial results included in the consolidated financial statements of the Corporation for the last seven months of 2023.
- As of November 30, 2023, FTG had total backlog at $97.0 million, which is a 49% increase over the prior year end amount of $65.3 million. The two acquisitions added approximately $18.0 million of backlog as of the closing date.
- Customer purchase orders received in 2023 totalled $149.5 million, representing a book to bill ratio of 1.11:1.
- FTG ended the year with net debt of $3.6 million, which includes $5.8 million of loans from the Government of Canada and the Province of Ontario. Net debt is approximately 0.19x of Trailing 12 Months Adjusted EBITDA.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF 2023

The following table provides the operating results for the fourth quarter of fiscal years 2023 and 2022:

	Three months ended	
(in thousands of Canadian dollars)	**November 30, 2023**	November 30, 2022
Sales	**$ 39,991**	$ 23,750
Cost of sales		
Cost of sales	**27,291**	16,761
Depreciation of plant and equipment	**1,247**	978
Depreciation of right-of-use assets	**714**	275
Total cost of sales	**29,252**	18,014
Gross margin	**10,739**	5,736
Expenses		
Selling, general and administrative	**4,740**	3,148
Research and development costs	**2,049**	1,429
Recovery of investment tax credits	**(117)**	(84)
Depreciation of plant and equipment	**50**	54
Depreciation of right-of-use assets	**18**	29
Amortization of intangible assets	**(38)**	32
Interest expense (income) on bank debt, net	**52**	(8)
Notional interest expense on government loan	**72**	20
Accretion on lease liabilities	**388**	112
Stock based compensation	**197**	(5)
Loss provision on sale-leaseback of building	**-**	357
Foreign exchange (gain) loss	**(82)**	(308)
Total expenses	**7,329**	4,776
Earnings before income taxes	**3,410**	960
Current income tax expense	**912**	1,430
Deferred income tax expense	**(1,380)**	(1,195)
Total income tax expense	**(468)**	235
Net earnings (loss)	**$ 3,878**	$ 725
Attributable to:		
Non-controlling interest	**$ 52**	$ 31
Equity holders of FTG	**$ 3,826**	$ 694

Supplementary Information for the fourth quarter of fiscal years 2023 and 2022:

(in thousands of dollars except per share amounts)	**2023** **$**	2022 $
Number of common and preferred shares, in aggregate	**23,886**	23,990
Earnings per share:		
Basic	**0.16**	0.03
Diluted	**0.16**	0.03
EBITDA[1]	**6,017**	2,399
Total assets	**125,707**	83,746
Net cash position[2]	**(3,612)**	12,338
Free cash flow[3]	**1,256**	1,315

[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

	Fourth Quarter			
	2023 **$**	2022 $	Change $	Change %
Circuits	**27,812**	15,578	12,234	78.5
Aerospace	**12,813**	9,141	3,672	40.2
Inter-segment sales	**(634)**	(969)	335	(34.6)
Net sales	**39,991**	23,750	16,241	68.4

The significant variances in fourth quarter sales in 2023 as compared to 2022 were as follows:

- Sales for the Circuits segment increased by $12.2 million or 78.5% from Q4 2022. The two newly acquired sites contributed $10.3 million of sales in Q4 2023 while the legacy sites contributed $1.6M of organic growth. Favourable foreign exchange rates added $0.3 million to Circuits sales.
- Sales for the Aerospace segment increased by $3.6 million or 40.2% from Q4 2022, as a result of increased shipments to both commercial aerospace and defence customers. Favourable foreign exchange rates added $0.1 million to Aerospace sales.

Gross margin

	Fourth Quarter			
	2023 **$**	2022 $	Change $	Change %
Gross margin	**10,739**	5,736	5,003	87.2
% of net sales	**26.9%**	24.2%		

The increase in gross margin dollars for Q4 2023 as compared to Q4 2022 is primarily the result of increased sales volumes in both the Circuits and Aerospace segments, operational improvements including favourable pricing actions, and favourable exchange rates.

Net Earnings

	Fourth Quarter			
	2023 **$**	2022 $	Change $	Change %
Net earnings	**3,878**	725	3,153	434.9
Non-controlling interest	**52**	31	21	67.7
Net earnings attributable to equity holders of FTG	**3,826**	694	3,132	451.3

The increase in net earnings in the fourth quarter of 2023 over the prior year is the result of increased sales volumes and the associated gross margin, partially offset by higher selling, general and administrative costs. Net earnings for Q4 2023 also includes a recovery of deferred taxes of $1,466 related to two business acquisitions, completed earlier in 2023.

Cash Flow

	Fourth Quarter			
	2023 **$**	2022 $	Change $	Change %
Operating activities	**4,013**	3,097	916	29.6
Investing activities	**(979)**	(539)	(440)	81.6
Financing activities	**(398)**	(220)	(178)	80.9
Free cash flow	**1,256**	1,357	(101)	(7.4)

Cash flow from operations in the fourth quarter of 2023 increased from fourth quarter 2022 primarily due to higher net earnings, offset by net change in non-cash operating working capital.

Cash used in investing activities in the fourth quarter of fiscal 2023 was $440 greater than Q4 2022 primarily as a result of investment in plant and equipment of $2,309 (Q4 2022 - $523), partially offset by $906 of cash received in respect of a post-closing working capital adjustment related to one of the business acquisitions.

Cash used in financing activities in the fourth quarter of fiscal 2023 is increased by $178 as compared to the prior year quarter, primarily as a result of higher lease liability payments for the newly acquired businesses.

Free cash flow in the fourth quarter of 2023 has an unfavourable variance of approximately $0.1M as compared to Q4 2022. Contributors to the variance include higher cash flow from operations, offset by a higher level of investment in capital equipment.

Segmented Information

The following tables provide the operating results for the Corporation's segments for the fourth quarter of fiscal years 2023 and 2022:

	Three months ended November 30, 2023			
	Circuits	Aerospace	Eliminations and Corporate	Total
	$	$	$	$
Gross segment sales	27,812	12,813	-	40,625
Inter-segment sales	-	-	(634)	(634)
Net sales	27,812	12,813	(634)	39,991
Cost of sales and selling, general and administrative expenses	23,007	8,324	897	32,228
Research and development costs	1,702	347	-	2,049
Recovery of investment tax credits	(120)	3	-	(117)
Depreciation of plant and equipment	1,139	123	35	1,297
Depreciation of right-of-use assets	542	178	12	732
Amortization of intangible assets	(38)	-	-	(38)
Foreign exchange loss (gain) on conversion of assets and liabilities	124	(103)	(103)	(82)
Earnings (loss) before interest and income taxes	1,456	3,941	(1,475)	3,922
Interest expenses, net	63	7	54	124
Accretion on lease liabilities	305	81	2	388
Income tax expense	-	-	(468)	(468)
Net earnings (loss)	1,088	3,853	(1,063)	3,878
Other operating segments disclosures:				
Additions to plant and equipment	1,826	481	2	2,309

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

RECONCILIATION OF NET INCOME TO EBITDA

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

	Fourth Quarter	
	2023	2022
	$	$
Net earnings to equity holders of FTG	**3,826**	694
Add back:		
Interest and accretion	**512**	124
Income tax expense	**(468)**	235
Depreciation and amortization	**1,950**	1,351
Stock based compensation	**197**	(5)
EBITDA	**6,017**	2,399
% of net sales	**15.0%**	10.1%

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

RESULTS OF OPERATIONS FOR THE 2023 FISCAL YEAR

(in thousands of dollars except per share amounts)	**2023** **$**	2022 $
Sales	**135,200**	89,624
Gross margin	**39,285**	21,310
Net earnings to equity holders of FTG	**11,621**	698
Weighted average number of common shares	**23,906**	24,319
Earnings per share:		
Basic	**0.49**	0.03
Diluted	**0.48**	0.03
EBITDA	**22,529**	8,582
Total assets	**125,707**	83,746
Net cash position	**(3,612)**	12,338
Free cash flow	**1,505**	4,140

Sales

	Year-to-Date			
	2023 **$**	2022 $	Change $	Change %
Circuits	**91,853**	59,848	32,005	53.5
Aerospace	**46,598**	34,557	12,041	34.8
Inter-segment sales	**(3,251)**	(4,781)	1,530	(32.0)
Net sales	**135,200**	89,624	45,576	50.9

Sales 2023 increased by $45.6 million or 50.9% from 2022 due to organic growth, acquisitions and favourable foreign exchange rates.

- Sales for the Circuits segment increased by $32.0 million or 53.5% as compared to 2022, with $22.9 million of the sales increase attributable to the newly acquired Circuits sites in Minnetonka and Haverhill, and organic growth of $6.6 million. Favourable foreign exchange rates added $2.5 million to Circuits sales.
- Sales for the Aerospace segment increased by $12.0 million or 34.8% as compared to 2022, which included increased Simulator product revenue of $7.0 million, other organic growth of $ 3.8 million and a favourable foreign exchange impact of $1.2 million. Customer orders for Simulator products tend to be larger dollar values with variable timing from year to year. The supply of certain electronic components continues to be a constraint on making product deliveries to Aeropsace segment customers, as well as the cycle time in qualifying new products.

A large majority of FTG's customer contracts are denominated in U.S. dollars and recent depreciation of the Canadian dollar relative to the U.S. dollar had a positive impact on reported sales. The average FX rate experienced in 2023 was 5.6 cents or 4.3% more favourable than in 2022 and the estimated positive impact on sales is $3.7 million, including a $0.1 million favourable adjustment to sales from FTG's currency hedging program.

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

	Year-to-Date					
	2023		2022		Change	
	$	**%**	$	%	$	%
Canada	**8,973**	**6.6**	9,145	10.2	(172)	(1.9)
United States	**105,918**	**78.3**	65,153	72.7	40,765	62.6
Asia	**11,737**	**8.7**	8,502	9.5	3,235	38.0
Europe	**7,180**	**5.3**	5,428	6.1	1,752	32.3
Other	**1,392**	**1.1**	1396	1.5	(4)	(0.3)
Total	**135,200**	**100**	89,624	100	45,576	50.9

On a geographical basis, sales in 2023 increased in the U.S., Asia and Europe. The two newly acquired sites contributed $22.9 million in sales primarily to U.S. based customers. Demand for commercial aerospace parts in Asia was strong in 2023. Sales to Canada and other regions were comparable to 2022.

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

	Year-to-Date	
	2023	2022
	%	%
Largest customer	**18.2**	25.6
Second largest customer	**11.2**	10.5
Third to fifth largest customers	**26.7**	19.6
Largest five customers	**56.1**	55.7

Gross Margin

	Year-to-Date			
	2023	2022	Change	Change
	$	$	$	%
Gross margin	**39,285**	21,310	17,975	84.4
% of net sales	**29.1%**	23.8%		
Government assistance included in gross profit	**3,170**	314	2,856	909.6
Gross margin excluding government assistance	**36,115**	20,996	15,119	72.0
% of net sales	**26.7%**	23.4%		

The increase in gross margin dollars and the gross margin rate is the result of higher sales volumes from the newly acquired Circuits sites, operational improvements including favourable pricing actions, and favourable foreign exchange rates. For 2023, gross profit excluding government assistance increased by $15.1 million on incremental sales of $45.6 million.

Selling, General and Administrative Expenses

	Year-to-Date			
	2023 **$**	2022 $	Change $	Change %
Selling, general and administrative expenses	**16,961**	12,678	4,283	33.8
% of net sales	**12.5%**	14.1%		

The increase of $4,283 during fiscal 2023 includes expenses from the acquired businesses of $1,596, professional fees and expenses related to acquisitions of $536, increased headcount targeted at operational leadership and increased performance compensation expense.

Research and Development

	Year-to-Date			
	2023 **$**	2022 $	Change $	Change %
Research and development costs	**6,637**	5,851	786	13.4
Recovery of investment tax credits	**(646)**	(582)	(64)	(11.0)

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

R&D costs for fiscal 2023 were 4.9% of net sales as compared to 6.5% of net sales for the prior year.

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. During the year ended November 30, 2023, ITCs were earned from qualifying research and development expenditures.

Depreciation and Amortization

	Year-to-Date			
	2023 **$**	2022 $	Change $	Change %
Depreciation of property, plant and equipment	**4,542**	4,259	283	6.6
Depreciation of right-of-use assets	**2,276**	1,350	926	68.6
Amortization/impairment of intangible assets	**193**	124	69	55.6
Amortization, other	**(123)**	6	(129)	(2,150.0)
Total	**6,888**	5,739	1,149	20.0

The increase in depreciation of property, plant and equipment during 2023 includes $379 from acquired businesses, offset by fluctuation due to timing of when capital assets were put into service.

The increase in depreciation of right-of-use assets during 2023 is primarily due to acquired business as well as the sale leaseback of the Aerospace Chatsworth facility.

The increase in amortization of intangible assets is due to a higher level of intangible assets carried on the balance sheet in 2023, as a result of the newly acquired businesses.

Interest Expense

	Year-to-Date			
	2023 **$**	2022 $	Change $	Change %
Interest expenses (income) on bank debt, net	**(43)**	(21)	(22)	104.8
Accretion on lease liabilities	**1,119**	444	675	152.0
Notional interest expense on government loan	**207**	20	187	935.0
Interest and accretion expense	**1,283**	443	840	189.6

The increase in interest income in 2023 was mainly due to the higher level of average cash balance as compared to last year as well as increased interest rates on cash balances.

The increase in accretion on lease liabilities during 2023 is primarily due to acquired business as well as the sale leaseback of the Aerospace Chatsworth facility.

The increase in notional interest expense on government loan during 2023 is primarily due to a higher level of government loan balance in 2023.

Foreign Exchange

The Canadian dollar spot rate, as compared to the U.S. dollar has (appreciated) depreciated as follows during 2023:

Year-to-Date	**2023**				2022			
	November 30, 2023	**November 30, 2022**	**Change**		November 30, 2022	November 30, 2021	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.3582**	**1.3508**	**0.01**	**0.5**	1.3508	1.2792	0.07	5.6

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

	Year-to-Date		
	2023 **$**	2022 $	Change $
Foreign exchange (gain) loss	**(4)**	(317)	313

The foreign exchange gain for fiscal 2023 was mainly on the re-valuation of the U.S. dollar assets and liabilities on the respective consolidated statements of financial position. These foreign exchange fluctuations are due to the variance in U.S. dollar balances held by the Corporation, the changes in average and month-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place.

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

	Year-to-Date	
	2023	2022
	$	$
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**135,318**	89,354
Adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**(118)**	270
Net sales	**135,200**	89,624
Costs of sales excluding depreciation	**89,366**	62,991
Depreciation of property, plant and equipment and right-of-use assets	**6,549**	5,323
Total cost of sales	**95,915**	68,314
Gross margin	**39,285**	21,310
Gross margin %	**29.1%**	23.8%
Gross margin before f/x gain (loss)	**39,403**	21,040
Gross margin % before f/x gain (loss)	**29.1%**	23.5%

Income Tax Expense

	Year-to-Date			
	2023	2022	Change	Change
	$	$	$	%
Current income tax expense	**3,499**	2,668	831	31.1
Deferred income tax expense	**(1,274)**	(1,094)	(180)	16.5

During the year ended November 30, 2023, income tax expense includes current income tax expense of $3,499 (2022 – $2,668) related to income tax on earnings in the Canadian entity and $5 (2022 – recovery of $2) related to taxes for the U.S. subsidiaries, and tax expense of $177 (2022 – $113) related to withholding tax on remittances from the Chinese subsidiaries to the Corporation and income taxes for the Chinese subsidiaries.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions in which the Corporation operates. The Corporation's consolidated effective tax rate for the year ended November 30, 2023 was 15.8% (2022 – 67.2%). In 2023, the Corporation's effective tax rate is lower than the statutory rate of 25%, principally due to the partial recognition of tax loss carryforwards in the foreign operations. In 2022, the Corporation's effective tax rate is higher than the statutory rate as the benefit of tax losses in the foreign operations was not recorded.

RECONCILIATION OF NET INCOME TO EBITDA

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

	Year-to-Date	
	2023	2022
	$	$
Net earnings to equity holders of FTG	**11,621**	698
Add back:		
Interest and accretion	**1,283**	443
Income tax expense	**2,225**	1,574
Depreciation, amortization and impairment of intangible assets	**6,888**	5,739
Stock based compensation	**512**	128
EBITDA	**22,529**	8,582
% of net sales	**16.7%**	9.6%

EBITDA for fiscal 2023, excluding $3,758 of Employee Retention Credit funds and $615 of acquisition and divesture expenses, amounted to $19.4 million or 14.3% of net sales. EBITDA for fiscal 2022, excluding $357 of sale-leaseback transaction costs and $168k of acquisition expenses, amounted to $9.1M or 10.2% of net sales.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

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

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	**Q4-23**
Circuit Segment Sales	$14,194	$15,499	$14,577	$15,578	$15,612	$21,200	$27,230	**$27,812**
Aerospace Segment Sales	7,750	8,030	9,637	9,141	10,005	13,766	10,014	**12,813**
Inter-segment sales	(1,483)	(1,211)	(1,119)	(969)	(978)	(1,007)	(633)	**(634)**
Total Net Sales	20,461	22,318	23,095	23,750	24,639	33,959	36,611	**39,991**
Earnings (Loss) before income taxes	(399)	531	1,250	960	4,864	3,438	2,338	**3,410**
Net Earnings (Loss) Attributable to Equity holders of FTG	(733)	14	723	694	4,072	2,403	1,320	**3,826**
Earnings (Loss) per share:								
Basic[1]	($0.03)	$0.00	$0.03	$0.03	$0.17	$0.10	$0.06	**$0.16**
Diluted	($0.03)	$0.00	$0.03	$0.03	$0.17	$0.10	$0.05	**$0.16**
Quarterly average CAD/USD exchange rates	$1.2709	$1.2709	$1.2907	$1.3494	$1.3493	$1.3562	$1.3333	**$1.3656**

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

LIQUIDITY AND CAPITAL RESOURCES

	November 30, 2023 $	November 30, 2022 $
Total liquidity (cash, accounts receivable, contract assets and inventory)	**72,156**	52,449
Unused credit facilities[1]	**22,591**	24,841
Working capital	**41,051**	30,513

[1] *US$16.6M (2022– US$18.9M)*

	Q4 2023	Q4 2022
Accounts receivables days outstanding	**64**	64
Inventories days outstanding	**113**	98
Accounts payable days outstanding	**78**	73

All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets. The Corporation was in compliance with all of its financial loan covenants as at November 30, 2023.

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

The following table outlines the contractual obligations of the Corporation as at November 30, 2023.

	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**
Bank debt (committed facility)	1,112	675	2,769	-	**4,556**
Bank debt interest payments	290	229	487	53	**1,059**
Accounts payable and accrued liabilities, and provisions	25,037	-	-	-	**25,037**
Contract liabilities	1,841	-	-	-	**1,841**
Income tax payable	1,103	-	-	-	**1,103**
Lease liabilities	3,639	3,187	7,285	603	**14,714**
Operating leases	44	-	-	-	**44**
Government loans	-	776	3,495	1,424	**5,695**
	33,066	**4,867**	**14,036**	**2,080**	**54,049**

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 swaps is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2023. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2023 $	November 30, 2022 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(2,572)**	(1,720)
Gold forward contracts	**229**	(70)
Interest rate swaps	**8**	25
Net unrealized gains of derivative instruments	**(2,335)**	(1,765)
Tax effect	**584**	441
Included in accumulated other comprehensive income	**(1,751)**	(1,324)

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive loss and accounts payable and accrued liabilities as at November 30, 2023 and 2022. The table below summarizes the Corporation's interest rate swaps:

				Unrealized gain	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2023**	November 30, 2022
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	SOFR rate plus 215 basis points	3.35%	**-**	$6
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%	**$4**	$11
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%	**$4**	$8
				$8	$25

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	Year-to-Date	
	2023 $	2022 $
Purchase of Aerospace Chatsworth facility	**-**	**8,518**
Additions to property, plant and equipment	**6,527**	**3,793**

Capital expenditures of $6,527 were primarily in support of the Circuits segment. Equipment investments are driven by in-sourcing of certain manufacturing and test processes, productivity improvements and replacement of aged equipment. On January 31, 2023, the Aerospace Chatsworth facility was disposed for proceeds of $8,382 pursuant to a sale-leaseback transaction.

CASH FLOW

	Year-to-Date			
	2023	2022	Change	Change
	$	$	$	%
Operating activities	**11,297**	10,347	950	9.2
Investing activities	**(23,774)**	(11,108)	(12,666)	114.0
Financing activities	**3,570**	(1,731)	5,301	(306.2)
Free cash flow	**1,505**	4,140	(2,635)	(63.6)

Cash flow from operations for 2023 increased over 2022 as a result of the increase in net earnings of $9,808, offset by an increase in non-cash operating working capital.

Investing activities in fiscal 2023 primarily included $25,369 used for the acquisition of the Circuits Minnetonka and Circuits Haverhill businesses (2022 - $nil), $8,382 of proceeds from the sale-leaseback of the Aerospace Chatworth facility (2022 – $8,518 used for purchase) and $6,527 for other capital expenditures (2022 – $3,793).

Cash generated from financing activities in 2023 included $3,769 cash proceeds from government loan (2022 – $1,926), $4,073 cash proceeds from bank loan (2022 - $nil) net of $858 of bank debt repayments (2022 - $943), and $2,862 towards lease liability payments (2022 - $1,579). In addition, 2023 included $156 of cash used for repurchase and cancellation of shares (2022 - $1,135).

Free cash flow in 2023 was $1.5M as compared to $4.1M in the prior year, with higher earnings offset by unfavourable changes in non-cash working capital and higher investments in plant and equipment.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended November 30, 2023 and 2022, except as disclosed in *Note 18* to the consolidated financial statements as at November 30, 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 16* of the consolidated financial statements as at November 30, 2023 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series. The outstanding common shares at the year ended November 30, 2023 were 23,874,802 (2022 – 23,926,901).

During the year ended November 30, 2023, 100% of the PSUs granted were based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

During the year ended November 30, 2023, 100% of the DSUs granted vested immediately upon grants. DSUs are settled in cash no more than 3 months after the departure of a director.

Normal Course Issuer Bid Program

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

The NCIB commenced on April 22, 2022 and concluded on April 21, 2023. Purchases were made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares will be the market price of such Common Shares at the time of acquisition. For purposes of the TSX rules, a maximum of 6,546 Common Shares could be purchased by the Corporation on any one day under the bid, except where purchases were made in accordance with the “block purchase exception” of the TSX rules.

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 permits the purchase of up to 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.

The NCIB-2 commenced on June 5, 2023 and will conclude on the earlier of the date on which purchases under the bid have been completed and June 4, 2024. Purchases are made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares will be the market price of such Common Shares at the time of acquisition. For purposes of the TSX rules, a maximum of 5,736 Common Shares may be purchased by the Corporation on any one day under the bid, except where purchases are made in accordance with the “block purchase exception” of the TSX rules.

During the year ended November 30, 2023, the Corporation purchased and cancelled 52,100 Common Shares (2022 – 564,300) at a weighted average price of $2.89 per share (2022 – $2.00) for a total amount of $155 (2022 – $1,135) including commission and other transaction costs.

As at November 30, 2023, the Corporation has purchased and cancelled 616,400 shares cumulatively during the NCIB and NCIB-2 (2022 – 564,300).

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.

CRITICAL ACCOUNTING ESTIMATES

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.

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

Expected credit losses

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

Allowance for inventory obsolescence

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

Taxes and deferred taxes

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

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

Useful lives of property, plant and equipment

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

Impairment and valuation of non-financial assets

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

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

Warranties

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

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Share-based payments expense

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at their grant dates. This estimate requires determining and making assumptions about the forfeiture rate and the probability of meeting vesting conditions.

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

As 2023 ends, 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 are estimated at 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. 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 being impacted by the overall economic conditions and key industries that are heavy users of helicopters, such as resource extraction and public safety.

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 faster than production can ramp up. FTG is adding staff and working with suppliers to increase production across the company. The Corporation did have a six-week work stoppage by 67 employees at the FTG Aerospace – Toronto site, and as a result revenues would be negatively impacted by $3 to $4 million, as well as a corresponding impact on profits, for the quarter ending March 1, 2024.

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 fourth quarter ended November 30, 2023, 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 February 6, 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The consolidated financial statements for fiscal 2023 have been independently audited by MNP LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.

Bradley C. Bourne	James Crichton
President and Chief Executive Officer	Vice President, Chief Financial Officer and Corporate Secretary
February 6, 2024	February 6, 2024

Independent Auditor's Report

To the Shareholders of Firan Technology Group Corporation:

Opinion

We have audited the consolidated financial statements of Firan Technology Group Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as at November 30, 2023 and November 30, 2022, and the consolidated statements of earnings, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at November 30, 2023 and November 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Acquisitions

Key Audit Matter Description

As described in Notes 5.1, 5.2 and 5.3 to the consolidated financial statements, during 2023, the Corporation completed two acquisitions accounted for as business combinations, which, in aggregate, amounted to $27,994,000 in total consideration. The identifiable assets acquired and the liabilities assumed are measured at fair value as of the acquisition date. Where the net of the fair value of the assets acquired and liabilities assumed is less than the fair value of consideration transferred, the difference is accounted for as goodwill. In assessing fair value of the acquired assets, management used various valuation techniques involving significant judgement and subjectivity.

We considered this to be a key audit matter due to the complexity of the transactions, which included valuation of the acquired intangible assets. This resulted in a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence related to management's estimates. As such, an increased extent of audit effort was required, which included the involvement of internal valuation specialists.

MNP LLP
1 Adelaide Street East, Suite 1900, Toronto ON, M5C 2V9 1.877.251.2922 T: 416.596.1711 F: 416.596.7894

Audit Response

We responded to this matter by performing procedures over management's valuation techniques in determining fair value of the acquired assets and in determining goodwill for each of the two acquisitions. Our audit work in relation to this matter included, but was not restricted to, the following:

- Analyzed the signed purchase agreements to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations.
- Tested the mathematical accuracy of management's valuation models and supporting calculations.
- Evaluated the fair value of the consideration transferred.
- Evaluated the reasonableness of key assumptions in management's models, including testing of historical financial results which were used as a basis for future projections.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
    - Comparing to externally available industry and economic trends;
    - Evaluating budgets and forecasts for future operations; and
    - Comparing against guideline companies within the same industry.

Impairment Analysis of Goodwill and Long-Lived Assets

Key Audit Matter Description

We draw attention to Notes 7 and 8 to the consolidated financial statements. The Corporation has recorded goodwill, property and equipment, and intangibles assets of $26,688,000 as of November 30, 2023. The Corporation performs impairment testing for goodwill and long-lived assets on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. In determining the estimated recoverable amounts using a discounted cash flow model, the Corporation's significant assumptions include future cash flows based on expected operating results, long-term growth rates and the discount rate. We considered this a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to impairment of goodwill and long-lived assets. Our audit work in relation to this matter included, but was not restricted to, the following:

- Performed a retrospective review to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Corporation's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected operating results, long-term growth rates and the discount rate.
- Tested the mathematical accuracy of management's impairment model and supporting calculations.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of the Corporation's impairment model, which included:
    - Evaluating the reasonableness of the discount rates by comparing the Corporation's weighted average cost of capital against publicly available market data;
    - Developing a range of independent estimates and comparing those to the discount rate selected by management; and
    - Performing a sensitivity analysis by developing a range of independent estimates of growth rates and weighted average cost of capital.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ratan Kumar Verma.

MNP LLP

Toronto, Ontario
February 6, 2024

Chartered Professional Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

	As at	
(in thousands of Canadian dollars)	**November 30, 2023**	November 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**$ 6,616**	$ 15,666
Accounts receivable *(Note 17.3)*	**28,679**	16,615
Contract assets	**300**	504
Inventories *(Note 6)*	**36,561**	19,664
Prepaid expenses	**1,894**	1,201
	74,050	53,650
Non-current assets		
Assets held for sale *(Note 7.1)*	**-**	8,471
Property, plant and equipment, net *(Note 7)*	**15,982**	10,718
Non-current deposits	**505**	297
Right-of-use assets *(Note 9)*	**23,628**	9,463
Intangible assets *(Note 8)*	**1,716**	215
Deferred tax assets *(Note 14.1)*	**674**	748
Deferred development costs	**162**	184
Goodwill *(Note 5, Note 8)*	**8,990**	-
Total assets	**125,707**	83,746
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**24,377**	14,906
Provision for product warranties *(Note 11)*	**653**	823
Contract liabilities	**1,841**	4,423
Current portion of bank debt *(Note 10.1)*	**1,020**	866
Current portion of government loans *(Note 10.2)*	**175**	47
Current portion of lease liabilities *(Note 9.2)*	**3,830**	1,360
Income tax payable	**1,103**	712
	32,999	23,137
Non-current liabilities		
Bank debt *(Note 10.1)*	**3,448**	532
Government loans *(Note 10.2)*	**5,585**	1,883
Lease liabilities *(Note 9.2)*	**21,120**	8,899
Contingent consideration *(Note 5)*	**2,232**	
Total liabilities	**65,384**	34,451
Equity		
Retained earnings	**31,035**	19,521
Accumulated other comprehensive income (loss)	**(1,349)**	(867)
	29,686	18,654
Share capital		
Common Shares *(Note 12.1)*	**21,310**	21,357
Contributed surplus	**8,539**	8,319
Total equity attributable to FTG's shareholders	**59,535**	48,330
Non-controlling interest	**788**	965
Total equity	**60,323**	49,295
Total liabilities and equity	**125,707**	83,746

See accompanying notes.

Approved on behalf of the board:

Director

Edward Hanna

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)		Years ended November 30, 2023		November 30, 2022
Sales	**$**	**135,200**	$	89,624
Cost of sales				
Cost of sales *(Note 6, Note 19)*		**89,366**		62,991
Depreciation of property, plant and equipment *(Note 7)*		**4,339**		4,036
Depreciation of right-of-use assets *(Note 9)*		**2,210**		1,287
Total cost of sales		**95,915**		68,314
Gross margin		**39,285**		21,310
Expenses				
Selling, general and administrative		**16,961**		12,678
Research and development costs *(Note 13.1)*		**6,637**		5,851
Recovery of investment tax credits		**(646)**		(582)
Depreciation of property, plant and equipment *(Note 7)*		**203**		223
Depreciation of right-of-use assets *(Note 9)*		**66**		63
Amortization of intangible assets *(Note 8)*		**193**		124
Interest expense (income) on bank debt, net *(Note 10.1)*		**(43)**		(21)
Notional interest expense on government loans *(Note 10.2)*		**207**		20
Accretion on lease liabilities *(Note 9)*		**1,119**		444
Stock based compensation *(Note 12.2)*		**512**		128
Foreign exchange (gain) loss *(Note 16)*		**(4)**		(317)
Loss provision on sale-leaseback of building *(Note 7.1)*		**30**		357
Total expenses		**25,235**		18,968
Earnings before income taxes		**14,050**		2,342
Current income tax expense *(Note 14.2)*		**3,499**		2,668
Deferred income tax recovery *(Note 14.1)*		**(1,274)**		(1,094)
Total income tax expense		**2,225**		1,574
Net earnings		**11,825**		768
Attributable to:				
Non-controlling interest		**204**		70
Equity holders of FTG		**11,621**		698
Earnings per share, attributable to the equity holders of FTG				
Basic *(Note 12.3)*	**$**	**0.49**	$	0.03
Diluted *(Note 12.3)*	**$**	**0.48**	$	0.03

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Years ended November 30, 2023	November 30, 2022
Net earnings	**$ 11,825**	$ 768
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	**(40)**	993
Net loss on valuation of derivative financial instruments designated as cash flow hedges *(Note 16)*	**(569)**	(2,826)
Deferred income taxes on net loss on valuation of derivative financial instruments designated as cash flow hedges	**142**	443
	(467)	(1,390)
Total comprehensive income	**$ 11,358**	$ (622)
Attributable to:		
Equity holders of FTG	**$ 11,146**	$ (636)
Non-controlling interest	**$ 212**	$ 14

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Year ended November 30, 2023 and 2022	Attributed to the equity holders of FTG						
(in thousands of Canadian dollars)	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interest	Total equity
Balance, November 30, 2021	$ 21,881	$ 19,434	$ 8,352	$ 478	$ 50,145	$ 940	$ 51,085
Net earnings	-	698	-	-	698	70	768
Equity-settled stock-based compensation	-	-	(33)	-	(33)	-	(33)
Repurchase and cancellation of shares	(524)	(611)	-	-	(1,135)	-	(1,135)
Other comprehensive loss	-	-	-	(1,345)	(1,345)	(45)	(1,390)
Balance, November 30, 2022	**$ 21,357**	**$ 19,521**	**$ 8,319**	**$ (867)**	**$ 48,330**	**$ 965**	**$ 49,295**
Net earnings	**-**	**11,621**	**-**	**-**	**11,621**	**204**	**11,825**
Equity-settled stock-based compensation	**-**	**-**	**220**	**-**	**220**	**-**	**220**
Repurchase and cancellation of shares	**(47)**	**(107)**	**-**	**-**	**(154)**	**-**	**(154)**
Return of capital to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(396)**	**(396)**
Other comprehensive income (loss)	**-**	**-**	**-**	**(482)**	**(482)**	**15**	**(467)**
Balance, November 30, 2023	**$ 21,310**	**$ 31,035**	**$ 8,539**	**$ (1,349)**	**$ 59,535**	**$ 788**	**$ 60,323**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended November 30, 2023		November 30, 2022	
Net inflow (outflow) of cash related to the following:				
Operating activities				
Net earnings	**$**	**11,825**	$	768
Items not affecting cash and cash equivalents:				
Equity-settled stock-based compensation *(Note 12.2)*		**220**		(32)
Loss on disposal of plant and equipment *(Note 7)*		**27**		5
Loss provision on sale-leaseback of building *(Note 7.1)*		**30**		357
Effect of exchange rates on U.S. dollar bank debt		**(89)**		(290)
Depreciation of property, plant and equipment *(Note 7)*		**4,542**		4,259
Depreciation of right-of-use assets *(Note 9)*		**2,276**		1,350
Amortization of intangible assets *(Note 8)*		**193**		124
Amortization, other		**(123)**		6
Notional interest expense on government loan *(Note 10.2)*		**207**		20
Deferred income taxes *(Note 14.1)*		**(1,274)**		(281)
Accretion on lease liabilities *(Note 9)*		**1,119**		444
Net change in non-cash operating working capital *(Note 15)*		**(7,656)**		3,457
		11,297		10,187
Investing activities				
Acquisition of Holaday Circuits, LLC *(Note 5)*		**(23,504)**		-
Acquisition of IMI, Inc. *(Note 5)*		**(1,865)**		-
Purchase of Aerospace Chatsworth facility *(Note 7.1)*		**-**		(8,518)
Proceeds from sale-leaseback of Aerospace Chatsworth facility *(Note 7.1)*		**8,382**		-
Additions to property, plant and equipment *(Note 7)*		**(6,527)**		(3,793)
Additions to non-current deposits		**(203)**		914
Recovery of contract and other costs		**23**		294
Additions to deferred financing costs *(Note 10.1)*		**(80)**		(5)
		(23,774)		(11,108)
Net cash (used in) flow from operating and investing activities		**(12,477)**		(921)
Financing activities				
Proceeds from government loan *(Note 10.2)*		**3,769**		1,926
Proceeds from bank debt		**4,073**		-
Repayments of bank debt		**(858)**		(943)
Return of capital to non-controlling interest		**(396)**		-
Lease liability payments *(Note 9)*		**(2,862)**		(1,579)
Repurchase and cancellation of shares *(Note 12.5)*		**(156)**		(1,135)
		3,570		(1,731)
Effects of foreign exchange rate changes on cash flow		**(143)**		(1,878)
Net (decrease) increase in cash flow		**(9,050)**		(4,530)
Cash and cash equivalents, beginning of the period		**15,666**		20,196
Cash and cash equivalents, end of period	**$**	**6,616**	$	15,666
Disclosure of cash payments				
Payment for interest	**$**	**271**	$	85
Payments for income taxes	**$**	**2,415**	$	1,074

1. NATURE OF OPERATIONS

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

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

The Corporation has two wholly owned subsidiaries:

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

The subsidiaries were incorporated as follows:

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

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

These consolidated financial statements were approved for issuance by the Board of Directors on February 6, 2024.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

- Firan Technology Group (USA) Corporation’s functional currency is the United States dollar (“USD”).
- FTG Aerospace Tianjin Inc.’s and the JV’s functional currency is the Chinese Renminbi (“RMB”).

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

3. MATERIAL ACCOUNTING POLICIES

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

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2023 and 2022. The Corporation controls the JV and its results were consolidated in the consolidated financial statements.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Corporation’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the

Corporation are eliminated in full upon consolidation. For any new acquisitions, the results of operations are reflected from the date of acquisition.

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

3.2 Foreign currency translation

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

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

3.3 Revenue recognition

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

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

Performance Obligation

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

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

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

Other Considerations

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

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

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

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

Contract Balances (related to revenue from engineering services)

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

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

The Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 21 on segmented information for the disclosure on disaggregated revenue.

3.4 Segment reporting

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

3.5 Government assistance and loans

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

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

3.6 Inventories

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

3.7 Property, plant and equipment

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

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

Assets	**in years**
Land	Indefinite
Building	20
Machinery and equipment	3 – 10
Furniture and fixtures	5
Leasehold improvements	term of lease

3.8 Intangible assets

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

The Corporation's intangible assets comprise strategic customer relationships acquired in business combinations and the cost of registering trademarks. These relationships and trademarks are considered to have finite useful lives and are amortized on a straight-line basis over their useful life of 5 to 15 years. The amortization period and the amortization method are reviewed at least annually.

3.9 Goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The fair value methodologies used by the Company in testing goodwill include assumptions related to sales trends, discount rates and other assumptions that are judgmental in nature. If future economic conditions or operating performance, such as declines in sales or increases in discount rates, are different than those projected by management in its most recent impairment tests for goodwill and indefinite-lived intangible assets, future impairment charges may be required.

3.10 Impairment of non-financial assets

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

3.11 Income taxes

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

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

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

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

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

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

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

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

3.12 Research and development

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

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

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

3.13 Financial instruments

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

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

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

Financial instruments at fair value through profit or loss

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

Financial instruments at fair value through other comprehensive income

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

Financial instruments carried at amortized cost

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

Impairment

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

3.14 Leases

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

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

Lease accounting

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

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

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

- the non-cancellable period of the lease;

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

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

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

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

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

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

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

Variable lease payments

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

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

Significant estimates and judgements

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

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

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

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

3.15 Provisions

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

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

3.16 Share capital

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

3.17 Share based payments – share units

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

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

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

Common Share that generally becomes vested following a period of continuous employment of the Participant with the Corporation.

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

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

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

3.18 Share based payments – Directors' Deferred Share Unit Plan

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

DSUs are settled in cash no more than three months after the departure of a director. The cash payment equals the number of DSUs granted multiplied by the Corporation's share price (average of high and low) on the settlement date.

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

3.19 Earnings per share (“EPS”)

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

3.20 Derivative financial instruments

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

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

Hedge effectiveness is tested at each reporting date. Hedges that meet the hedge accounting criteria in IFRS 9 *Financial Instruments* are accounted for as follows:

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

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

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

3.21 Business combinations

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

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

3.22 Determination of fair value

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

3.23 New standards, amendments and interpretations not yet adopted by the Corporation

The amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's consolidated financial statements are disclosed below. The Corporation intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraph 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Corporation's consolidated financial statements.

4. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

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.

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

4.1 Expected credit losses

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

4.2 Allowance for inventory obsolescence

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

4.3 Taxes and deferred taxes

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

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

4.4 Useful lives of property, plant and equipment

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

4.5 Impairment and valuation of non-financial assets

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

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

4.6 Warranties

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

4.7 Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

4.8 Share-based payments expense

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at their grant dates. This estimate requires determining and making assumptions about the forfeiture rate and the probability of meeting vesting conditions.

5. BUSINESS COMBINATIONS

5.1 Acquisition of Holaday Circuits, LLC

On April 28, 2023, the Corporation acquired all of membership interests of Holaday Circuits, LLC ("Holaday"), a manufacturer of high technology circuit boards focused on the aerospace and defence markets, for a total purchase consideration of up to US$21,702 or $29,467. Holaday was renamed to FTG Circuits Minnetonka LLC immediately following the acquisition.

The total purchase consideration consists of:

(i) US$15,102 or $20,505 paid in cash to the seller, net of working capital adjustments and cash acquired;

(ii) US$2,200 or $2,987 paid in cash to an escrow agent, to be released to the seller 18 months after closing, upon the joint instruction of FTG and the seller; and

(iii) Earn-out consideration of up to US$4,400 or $5,974, contingent on the achievement of a predetermined financial target over an 18 month period after closing. As of the acquisition date, the estimated fair value of the contingent consideration was US$1,643 or $2,231.

The purchase consideration is subject to the final determination of working capital adjustments.

The fair value of acquired accounts receivables is $5,713. The gross contractual amount for accounts receivable is $5,864, with expected credit loss allowance of $151 recognized on acquisition.

Acquired identifiable intangible assets include customer relationships. The fair value of customer relationships was determined using the multiple-period excess earnings method and a discount rate of 18.2%. Goodwill recognized is attributable to Holaday's access to the U.S. defence market for high technology circuit boards.

Holaday contributed revenue of $20,504 and net profit of $1,744 to the Corporation for the period from April 29, 2023 to November 30, 2023. If the acquisition had occurred on December 1, 2022, consolidated pro-forma revenue and profit for the year ended November 30, 2023 for the Corporation would have been $147,517 and $10,443 respectively.

As a result of the Holaday acquisition, the Corporation expects to have tax deductible goodwill in the United States of approximately US$8 million or $11 million.

5.2 Acquisition of IMI, Inc.

On April 28, 2023, the Corporation acquired all of the outstanding shares of IMI, Inc. ("IMI"), a manufacturer of specialty radio frequency circuit boards focused on the aerospace and defence markets, for a total purchase consideration of US$1,673 or $2,272. IMI was renamed to FTG Circuits Haverhill Inc. immediately following the acquisition.

The total purchase consideration consists of:

(i) US$1,373 or $1,864 paid in cash, net of working capital adjustments and cash acquired; and

(ii) US$300 or $407 holdback, payable upon satisfaction of certain representations and warranties of the seller, no later than 12 months following the closing date, which is included in accounts payable and accrued liabilities.

The fair value of acquired accounts receivables is $561. The gross contractual amount for accounts receivable is $588, with expected credit loss allowance of $27 recognized on acquisition.

Acquired identifiable intangible assets include customer relationships. The fair value of customer relationships was determined using multiple-period excess earnings method and a discount rate of 16.8%. Goodwill recognized is attributable to IMI's access to radio frequency circuit boards market.

IMI contributed revenue of $2,384 and net income of $91 to the Corporation for the period from April 29, 2023 to November 30, 2023. If the acquisition had occurred on December 1, 2022, consolidated pro-forma revenue and profit for the year ended November 30, 2023 for the Corporation would have been $136,795 and $11,766 respectively.

5.3 Acquisition related costs and fair value of net assets acquired

In connection with the Holaday and IMI acquisitions, during the year ended November 30, 2023, the Corporation recognized $563 in acquisition-related costs which were expensed as incurred. These costs are included in selling, general and administrative expenses such as fees for professional services.

The Holaday and IMI acquisitions were accounted for by the Corporation as business combinations under IFRS 3. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any excess of the acquisition date fair value of the consideration paid over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill and any deficiency is recognized as a bargain purchase gain. Acquisition costs associated with the business combination are expensed in the year incurred. The results of the operations have been consolidated from the acquisition date.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed as at April 28, 2023, based on management's provisional estimates of fair value. If new information obtained within one year of the date of acquisition identifies adjustments to the below amounts, adjustments are recognized in the period in which the adjustment amount is determined and adjustments to fair values and allocations are retrospectively adjusted.

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

	Holaday $	IMI $
Fair value of consideration		
Cash paid at closing	**22,667**	**2,285**
Working capital adjustment	**(918)**	**20**
Contingent consideration	**2,231**	**-**
Holdback paid into escrow	**2,987**	**-**
Holdback retained by the Corporation	**-**	**407**
Gross consideration	**26,967**	**2,712**
Less: Cash acquired	**(1,244)**	**(441)**
Net consideration	**25,723**	**2,271**
Assets Acquired		
Accounts receivable	**5,713**	**561**
Inventories	**11,093**	**553**
Prepaid expenses and other current assets	**-**	**48**
Property, plant and equipment	**2,497**	**623**
Right-of-use assets	**10,966**	**2,571**
Customer relationships	**1,460**	**238**
	31,729	**4,594**
Liabilities Assumed		
Accounts payable and accrued liabilities	**1,970**	**357**
Lease liabilities	**10,966**	**2,572**
Deferred tax liabilities	**1,343**	**123**
	14,279	**3,052**
Net identifiable assets acquired net of cash	**17,450**	**1,542**
Goodwill	**8,273**	**729**
Net assets acquired	**25,723**	**2,271**

6. INVENTORIES

	November 30, 2023 **$**	November 30, 2022 $
Raw materials and spare parts	**10,317**	8,604
Work-in-progress	**18,266**	6,614
Finished goods	**7,978**	4,446
	36,561	19,664

The cost of inventories recognized as an expense during the year ended November 30, 2023 was $41,731 (2022 – $31,608), this amount also included $1,414 (2022 – $1,886) as cost of inventories written down due to obsolescence.

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land $	Building $	Machinery and equipment $	Furniture and fixtures $	Leasehold improvements $	Total $
Cost						
At December 1, 2021	-	-	51,327	431	6,297	58,055
Additions	4,010	4,522	3,518	29	232	12,311
Disposal and other	-	(357)	(297)	(2)	-	(656)
Foreign currency translation	177	198	829	15	119	1,338
Reclassified to held for sale	(4,187)	(4,363)	-	-	-	(8,550)
At November 30, 2022	**-**	**-**	**55,377**	**473**	**6,648**	**62,498**
Business combinations *(Note 5)*	**-**	**-**	**3,008**	**65**	**47**	**3,120**
Additions	**-**	**-**	**6,203**	**2**	**322**	**6,527**
Disposal and other	**-**	**-**	**(584)**	**-**	**-**	**(584)**
Foreign currency translation	**-**	**-**	**294**	**-**	**(1)**	**293**
At November 30, 2023	**-**	**-**	**64,298**	**540**	**7,016**	**71,854**
Accumulated depreciation						
At December 1, 2021	-	-	41,641	423	4,913	46,977
Depreciation[1]	-	73	3,615	18	553	4,259
Disposal and other	-	-	(148)	(2)	-	(150)
Foreign currency translation	-	6	649	14	104	773
Reclassified to held for sale	-	(79)	-	-	-	(79)
At November 30, 2022	**-**	**-**	**45,757**	**453**	**5,570**	**51,780**
Depreciation[1]	**-**	**-**	**4,149**	**14**	**379**	**4,542**
Disposal and other	**-**	**-**	**(487)**	**-**	**-**	**(487)**
Foreign currency translation	**-**	**-**	**21**	**2**	**14**	**37**
At November 30, 2023	**-**	**-**	**49,440**	**469**	**5,963**	**55,872**
Net book value						
At November 30, 2022	-	-	9,620	20	1,078	10,718
At November 30, 2023	**-**	**-**	**14,858**	**71**	**1,053**	**15,982**

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

Included in machinery and equipment as at November 30, 2023 are $1,693 (November 30, 2022 – $934) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

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

7.1 Non-current assets held for sale

In July 2022, the Corporation acquired the facility occupied by the Aerospace Chatsworth operation for cash consideration of $8,518 (US$6,582). This facility was previously leased. On January 31, 2023, the Corporation completed a sale/leaseback agreement for the facility. The sales proceeds are $8,382 net of commissions and other expenses. The initial lease period is seven years, with two additional five-year options to extend the lease. The Corporation recorded $30 of loss during the year ended November 30, 2023 (2022 – $357), representing the difference between the net book value of the facility and the net sales proceeds.

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

8. INTANGIBLE ASSETS AND GOODWILL

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

	Years ended	
	November 30, 2023 $	November 30, 2022 $
Cost		
Balance, beginning of the year	**1,137**	6,299
Addition	**1,698**	-
Adjust for fully amortized intangible assets	**-**	(5,196)
Foreign currency translation	**4**	34
Balance, end of the year	**2,839**	1,137
Accumulated amortization		
Balance, beginning of the year	**922**	5,972
Amortization during the year	**193**	125
Adjust for fully amortized intangible assets	**-**	(5,196)
Foreign currency translation	**8**	21
Balance, end of the year	**1,123**	922
Net book value	**1,716**	215

Intangible assets have an unamortized remaining period of approximately fifteen years as at November 30, 2023 (approximately two years as at November 30, 2022).

Goodwill is tested for impairment annually. The Corporation's impairment test for goodwill was based on the recoverable amount determined on its value in use ("VIU") using a measurement date of November 30. The Corporation's goodwill amount is allocated between two CGU's in the amount of $8,276 (2022 - $nil) and $714 (2022 - $nil).

In the assessment of impairment, management used industry guidance, historical data and past experience as the key assumptions in the determination of the recoverable amount of the two CGUs. The VIU was determined based on the present value of the estimated free cash flows for the two CGUs. The cash flow projections, covering a five-year period plus a terminal year, were based on financial projections approved by the Board using assumptions that reflect the Corporation's most likely planned course of action, given management's judgement of the most probable set of economic conditions. These projections are inherently uncertain and continually evolving in an unpredictable manner which present many variables and contingencies for modelling. A discount rate of 21.4% and 22.9% per annum was used for the two CGUs respectively. Annual growth rate of 2% was used in the terminal year given the businesses' anticipated growth. The Corporation determined that the recoverable amounts for the two CGUs were higher than the carrying value. Reasonably possible changes in key assumptions would not cause the recoverable amount to fall below the carrying value.

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

9. LEASES

9.1 Right-of-use assets

	Buildings $	Equipment $	Total $
At December 1, 2021	10,009	89	10,098
Addition	-	175	175
Modification	565	-	565
Depreciation[1]	(1,284)	(67)	(1,351)
Disposal	-	(15)	(15)
Foreign currency translation	(9)	-	(9)
At November 30, 2022	**9,281**	**182**	**9,463**
Addition	**2,712**	**36**	**2,748**
Business combinations *(Note 5)*	**13,538**	**-**	**13,538**
Modification	**126**	**-**	**126**
Depreciation[1]	**(2,210)**	**(66)**	**(2,276)**
Foreign currency translation	**38**	**(8)**	**30**
At November 30, 2023	**23,484**	**144**	**23,628**

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

9.2 Lease liabilities

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

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

	Years ended	
	November 30, 2023 $	November 30, 2022 $
Balance, beginning of the year	**10,259**	10,676
Additions	**2,748**	175
Business combinations	**13,538**	-
Modification	**126**	565
Accretion on lease liabilities	**1,119**	444
Payments	**(2,862)**	(1,579)
Disposal	**-**	(15)
Foreign exchange and other	**22**	(7)
Balance, end of the year	**24,950**	10,259
Current portion of lease liabilities	**3,830**	1,360
Non-current portion of lease liabilities	**21,120**	8,899

Please refer to Note 17.4 for the contractual undiscounted cash flows for lease obligations.

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

10. DEBT AND LOANS

10.1 Bank debt

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

- U.S. $10,000 committed operating revolving loan facility ("Operating Loan Facility") by way of a combination of current account overdraft/bank loans, Secured Overnight Financing Rate loans ("SOFR") or Banker's Acceptances ("BA") or letters of guarantee ("LG") subject to an overall maximum of US $10,000 or the Canadian dollar equivalent.

- U.S. $10,000 revolving loan facility ("Capital Loan Facility") to refinance new and used plant and equipment up to 90% of the invoice cost by way of a combination of bank loans, SOFR's and or BA's.

- U.S. $72,000 foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of U.S. $24,000 or the Canadian dollar equivalent for up to twelve months, U.S. $24,000 or the Canadian dollar equivalent for up to twenty four months and U.S. $24,000 or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure (Note 16).

- U.S. $2,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of U.S. $2,000 or the equivalent in major currencies with a maximum contract term of twenty four months, available to hedge risk on raw materials (Note 16).

- U.S. $400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.

- U.S. $10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of U.S. $10,000 (Note 16).

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

The unamortized deferred financing charges of $104 as at November 30, 2023 (November 30, 2022 – $47) have been offset against bank debt in the consolidated statement of financial position.

As at November 30, 2023, the Corporation had entered into two (November 30, 2022 – three) interest rate swaps. The details and effects of the interest rate swaps are disclosed in Note 16 – Interest rate swaps.

The Corporation's credit facilities as described above are subject to certain covenants with which it was in full compliance as at November 30, 2023.

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

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

Loan description	Estimated monthly payment	Interest Rate	November 30, 2023 USD	November 30, 2023 $	November 30, 2022 USD	November 30, 2022 $
5.0 year US $2,600 term loan, amortized over 7 years	US$31 plus interest	SOFR + 215 basis point	**-**	**-**	305	416
5.0 year US $1,500 term loan, amortized over 7 years	US$18 plus interest	SOFR + 215 basis points	**214**	**291**	429	579
5.0 year US $1,000 term loan, amortized over 7 years	US$12 plus interest	SOFR + 215 basis points	**190**	**259**	333	450
5.0 year US $3,000 term loan, amortized over 7 years	US$38 plus interest	SOFR + 208 basis points	**2,962**	**4,022**	-	-

The Corporation has entered into interest rate swaps to hedge the USD interest payments for certain bank debts above (Note 16).

10.2 Government loans

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

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

	November 30, 2023 $	November 30, 2022 $
Balance, beginning of the year	**1,930**	-
Government loans received	**3,769**	1,926
Notional interest expense during the year	**207**	20
Government grant income during the year	**(146)**	(16)
Ending balance	**5,760**	1,930
Less: current portion (amounts due within one year)	**175**	47
	5,585	1,883

11. PROVISION FOR PRODUCT WARRANTIES

	Years ended	
	November 30, 2023 $	November 30, 2022 $
Product warranties		
Balance, beginning of the year	**823**	545
Arising during the year	**743**	878
Utilized during the year	**(919)**	(624)
Foreign exchange impact and other	**6**	24
Balance, end of the year	**653**	823

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

12. SHARE CAPITAL

12.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, issuable in series, with the attributes of each series to be fixed by the Board of Directors. Each Common and Preferred Share carries the right to one vote. The following is a continuity of the changes in the number of Common shares for the year ended November 30, 2023 and November 30, 2022:

	November 30, 2023		November 30, 2022	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**23,926,901**	**21,357**	24,491,201	21,881
Repurchase and cancellation of shares	**(52,099)**	**(47)**	(564,300)	(524)
Outstanding, end of the year	**23,874,802**	**21,310**	23,926,901	21,357

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

12.2 Stock-based compensation

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

	November 30, 2023	November 30, 2022
	$	$
PSU	**220**	(33)
DSU	**292**	161
	512	128

Performance share units

The following is a continuity of the changes in the number of PSUs outstanding for the years ended November 30, 2023 and November 30, 2022:

	November 30, 2023		November 30, 2022	
	Number of PSUs	**Weighted average grant price**	Number of PSUs	Weighted average grant price
Outstanding, beginning of the year	**253,958**	**2.18**	182,333	2.16
Granted	**90,000**	**2.99**	90,000	2.35
Forfeited/Cancelled	**(85,208)**	**2.16**	(18,375)	2.84
Outstanding, end of the year	**258,750**	**2.47**	253,958	2.18

During the year ended November 30, 2023, 100% of the PSUs granted were based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

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

PSUs outstanding as at November 30, 2023 and November 30, 2022 are as below:

November 30, 2023						
Grant year	**Number of PSUs Outstanding**	**Grant price per PSU $**	**Vesting period**	**Expiry date**	**Remaining contractual life (years)**	**Number of PSUs vested/exercisable**
2021	**73,750**	**2.02**	**2021 – 2023**	**November 30, 2023**	**-**	**-**
2021	**11,250**	**2.10**	**2021 – 2023**	**November 30, 2023**	**-**	**-**
2022	**83,750**	**2.35**	**2022 – 2024**	**November 30, 2024**	**1.0**	**-**
2023	**82,500**	**3.01**	**2023 – 2025**	**November 30, 2025**	**2.0**	**-**
2023	**7,500**	**2.80**	**2023 – 2025**	**November 30, 2025**	**2.0**	**-**
	258,750					**-**

November 30, 2022						
Grant year	Number of PSUs Outstanding	Grant price per PSU $	Vesting period	Expiry date	Remaining contractual life (years)	Number of PSUs vested/exercisable
2020	80,208	2.15	2020 – 2022	November 30, 2022	-	-
2021	75,000	2.02	2021 – 2023	November 30, 2023	1.0	-
2021	11,250	2.10	2021 – 2023	November 30, 2023	1.0	-
2022	87,500	2.34	2022 – 2024	November 30, 2024	2.0	-
	253,958					-

Directors' deferred share units

The following is a continuity of the changes in the number of DSUs outstanding for the years ended November 30, 2023 and November 30, 2022:

	November 30, 2023		November 30, 2022	
	Number of DSUs	**Weighted average grant price**	Number of DSUs	Weighted average grant price
Outstanding, beginning of the year	**19,374**	**2.16**	-	-
Granted	**50,379**	**3.30**	19,374	2.16
Outstanding, end of the year	**69,753**	**2.99**	19,374	2.16

During the year ended November 30, 2023, 100% of the DSUs granted vested immediately upon grants. DSUs are settled in cash no more than three months after the departure of a director.

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

DSUs outstanding as at November 30, 2023 and November 30, 2022 are as below:

November 30, 2023						
Grant year	**Number of DSUs Outstanding**	**Grant price per DSU $**	**Vesting period**	**Expiry date**	**Number of DSUs vested**	**Number of DSUs exercisable**
2023	**50,379**	**3.30**	**Immediately upon grants**	**Does not expire**	**50,379**	**-**
2022	**19,374**	**2.16**	**Immediately upon grants**	**Does not expire**	**19,374**	**-**
	69,753				**69,753**	**-**

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

As at November 30, 2023, accounts payable and accrued liabilities included $143 of liability arising from ungranted DSUs (2022 - $118).

12.3 Earnings per share

	Years ended	
	November 30, 2022	November 30, 2021
Numerator		
Net earnings attributable to equity holders of FTG	**$ 11,621**	$ 698
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 11,621**	$ 698
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 11,621**	$ 698
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**23,906,155**	24,319,499
Effect of dilutive securities:		
Number of PSU's	**253,584**	234,704
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,159,739**	24,554,203
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	**$ 0.49**	$ 0.03
Diluted earnings per share	**$ 0.48**	$ 0.03

The PSUs were included in calculating diluted earnings per share for the year ended November 30, 2023 and 2022 as the Corporation had net earnings.

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

12.4 Management of capital

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

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

The Corporation's managed capital is as follows:

	November 30, 2023 $	November 30, 2022 $
Total equity attributable to FTG's shareholders	**59,535**	48,330
Bank debt	**4,468**	1,398
Government loans	**5,760**	1,930
Managed capital	**69,763**	51,658

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

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

12.5 Normal course issuer bid program

In April 2022, the Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish a normal course issuer bid program (the "NCIB"). The NCIB permitted the purchase of up to 1,224,560 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.

The NCIB commenced on April 22, 2022 and concluded on April 21, 2023. 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 Common Shares could be purchased by the Corporation on any one day under the bid, except where purchases were made in accordance with the "block purchase exception" of the TSX rules.

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 permits the purchase of up to 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.

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

The NCIB-2 commenced on June 5, 2023 and will conclude on the earlier of the date on which purchases under the bid have been completed and June 4, 2024. Purchases are made by the Corporation in accordance with the requirements of the TSX and the price paid for any repurchased Common Shares will be the market price of such Common Shares at the time of acquisition. For purposes of the TSX rules, a maximum of 5,736 Common Shares may be purchased by the Corporation on any one day under the bid, except where purchases are made in accordance with the "block purchase exception" of the TSX rules.

During the year ended November 30, 2023, the Corporation purchased and cancelled 52,100 Common Shares (2022 – 564,300) at a weighted average price of $2.89 per share (2022 – $2.00) for a total amount of $154 (2022 – $1,135) including commission and other transaction costs.

As at November 30, 2023, the Corporation has purchased and cancelled 616,400 shares cumulatively during the NCIB and NCIB-2 (2022 – 564,300).

13. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

13.1 Research and development costs and recoveries

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

14. INCOME TAXES

The provision for income taxes included in the consolidated statement of earnings differs from the statutory income tax rate for the years ended November 30, 2023 and November 30, 2022 as follows:

	November 30, 2023 $	November 30, 2022 $
Accounting income before tax	**14,050**	2,342
Statutory tax rate	**25%**	25%
	3,513	586
Change in benefits not recognized	**(1,430)**	2,081
Non-deductible expenses	**142**	74
Foreign tax rate differences	**(176)**	(54)
Change in foreign exchange rates	**(87)**	(739)
Change in tax rates	**225**	(180)
Book to filing adjustment and others	**38**	(194)
Income tax expense	**2,225**	1,574

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

14.1 Deferred income taxes

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

	November 30, 2023 **$**	November 30, 2022 $
Opening balance, net	**748**	(789)
Recovered (charged) to earnings during the year	**1,274**	1,094
Recovered in other comprehensive income (loss) during the year	**142**	443
Business combination	**(1,466)**	-
Other	**(24)**	-
Closing balance, net	**674**	748

The movement in net deferred income tax assets/liabilities during the year ended November 30, 2023 is as follows:

	Balance as at December 1, 2022 **$**	**Recovered (charged) to earnings** **$**	**Charged to other comprehensive income** **$**	**Charged to Goodwill** **$**	**Charged to Other** **$**	**Balance as at November 30, 2023** **$**
Deferred income tax assets (liabilities), net:						
Tax losses carried forward	9,762	(1,402)	-	-	-	8,360
Deferred development costs	(46)	6	-	-	-	(40)
Tax attributes - R&D Credits	1,142	6	-	-	-	1,148
Other temporary differences	887	301	142	37	(24)	1,343
Inventory	1,505	1,670		(1,343)		1,832
Excess of unamortized intangibles for tax purposes over net book value	(48)	29	-	(53)	-	(72)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(623)	(804)	-	(107)	-	(1,534)
Right-of-use assets	(1,385)	(901)	-	(3,010)	-	(5,296)
Lease liabilities	1,573	1,016	-	3,010	-	5,599
Capital loss carryforward	2,236	13	-	-	-	2,249
Deferred tax payable on investment tax credit recoverable	(199)	2	-	-	-	(197)
Goodwill	-	(93)	-	548	-	455
Contingent consideration	-	-	-	496	-	496
Deferred income tax assets not recognized	(14,056)	1,431	-	(1,044)	-	(13,669)
Deferred income tax assets (liabilities), net:	748	1,274	142	(1,466)	(24)	674

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

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

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

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

The Corporation has the following loss carry-forwards:

Country	**Expiry**	**November 30, 2023** **$**	November 30, 2022 $
United States	Between 2030 and 2038	**18,398**	19,275
United States	Do not expire	**18,629**	22,568
China	Between 2023 and 2027	**347**	860

As of November 30, 2023, no deferred tax asset has been recorded in respect of these losses.

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

14.2 Income tax expense, net

	Years ended	
	November 30, 2023 **$**	November 30, 2022 $
Income tax expense/(recovery):		
Current tax expense – in earnings during the year	**3,499**	2,668
Deferred tax expense– in earnings during the year	**(1,272)**	(841)
Deferred tax (recovery) (ITCs) – charged to earnings during the year	**(2)**	(253)
Deferred tax expense (recovery) – in other comprehensive income (loss) during the year	**(142)**	(443)
	2,083	1,131

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 for the year ended November 30, 2023 was 15.8% (2022 – 67.2%).

15. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2023 **$**	November 30, 2022 $
Accounts receivable and contract assets	**(5,760)**	(371)
Inventories	**(5,243)**	(2,803)
Prepaid expenses and other	**(1,290)**	467
Contract liabilities	**(2,578)**	4,046
Accounts payable and accrued liabilities, and provisions	**6,647**	1,406
Income tax payable	**568**	712
	(7,656)	3,457

16. FINANCIAL INSTRUMENTS

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

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at November 30, 2023 and November 30, 2022.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level include cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at November 30, 2023 and November 30, 2022.

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

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2023 and November 30, 2022.

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

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

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

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

Bank debt

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

Derivative financial instruments and hedge accounting

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2023. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2023 **$**	November 30, 2022 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(2,572)**	(1,720)
Gold forward contracts	**229**	(70)
Interest rate swaps	**8**	25
Net unrealized gains (losses) of derivative instruments	**(2,335)**	(1,765)
Tax effect	**584**	441
Included in accumulated other comprehensive income	**(1,751)**	(1,324)

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

a) Foreign exchange forward contracts

The Corporation has entered into foreign exchange forward contracts a financial institution to partially hedge future sales proceeds denominated in a foreign currency. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign exchange forward contracts, all of which have a maturity date of less than thirty-six months as at November 30, 2023 and 2022:

As at	Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized loss
November 30, 2023	**USD**	**CAD**	**US$54,150**	**$70,277**	**$72,849**	**($2,572)**
November 30, 2022	USD	CAD	US$56,150	$73,053	$74,773	($1,720)

As at November 30, 2023 and 2022, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This net unrealized gain in other comprehensive income (loss) is expected to be realized through net earnings on the consolidated statements of earnings over the next thirty-six months when the sales are recorded.

b) Gold forward contracts

As at November 30, 2023, the Corporation had an outstanding commitment to buy 1,050 ounces of gold (2022 – 1,050 ounces of gold) under gold forward contracts at a contract price of approximately $2.66 per ounce (2022 – $2.52) expiring quarterly from December 2023. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized gain (loss)
November 30, 2023	**Gold forward contract**	**1,050 ounces**	**$2,790**	**$3,019**	**$229**
November 30, 2022	Gold forward contract	1,050 ounces	$2,645	$2,575	($70)

As at November 30, 2023 and 2022, the gold forward contracts are designated as a cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This unrealized loss in other comprehensive income (loss) is expected to be reclassified to the consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at November 30, 2023 retained in other comprehensive income (loss) related to these contracts are expected to be recognized through net earnings on the consolidated statement of earnings in fiscals 2023, 2024 and 2025.

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

c) Interest rate swaps

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive income (loss) and accounts payable and accrued liabilities as at November 30, 2023 and November 30, 2022. The table below summarizes the Corporation's interest rate swaps:

				Unrealized gain	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**November 30, 2023**	November 30, 2022
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	SOFR rate plus 215 basis points	3.35%	-	$6
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%	**$4**	$11
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%	**$4**	$8
				$8	$25

17. FINANCIAL RISKS

17.1 Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk which include two (November 30, 2022 – three) interest rate swaps as at November 30, 2023.

Based on the value of interest bearing financial instruments for the year ended November 30, 2023, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $20 (year ended November 30, 2022 – decrease of $nil), with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

17.2 Currency risk

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

In addition, net realized loss for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2023 of $118 (year ended November 30, 2022 – net realized gain of $270) was recorded in sales in the consolidated statements of earnings.

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

			November 30, 2023	November 30, 2022
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**1,572**	**1,796**	**3,368**	8,597
Accounts receivable and contract assets	**10,504**	**9,702**	**20,206**	11,229
Accounts payable and accrued liabilities	**(2,517)**	**(9,443)**	**(11,960)**	(6,637)
Total bank debt	**(3,494)**	**-**	**(3,494)**	(1,398)
Consolidated statements of financial position exposure, excluding financial derivatives	**6,065**	**2,055**	**8,120**	11,791
Reporting date CAD:USD exchange rate			**1.3582**	1.3508

			Years ended	
			November 30, 2023	November 30, 2022
(In thousands of U.S. dollars)	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Net sales	53,516	41,686	95,202	67,449
Operating expenses	(16,092)	(44,544)	(60,636)	(44,735)
Net exposure	**37,424**	**(2,858)**	**34,566**	22,714

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the years ended November 30, 2023 and November 30, 2022 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

			Years ended	
			November 30, 2023	November 30, 2022
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of U.S. dollars)*	**Canadian and other operations** **$**	**US operations** **$**	**Total** **$**	Total $
Consolidated statements of financial position exposure, excluding financial derivatives	**(61)**	**(21)**	**(82)**	(118)
Net sales and operating expenses (net exposure)	**(374)**	**28**	**(346)**	(227)
Net exposure	**(435)**	**7**	**(428)**	(345)

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

	November 30, 2023		November 30, 2022	
	RMB	**$**	RMB	$
Cash	**3,470**	**660**	7,431	1,416
Short-term deposit with a financial institution with maturity of less than 1 year	**4,546**	**865**	2,571	490
Balance sheet exposure	**8,016**	**1,525**	10,002	1,906

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the years ended November 30, 2023 would decrease by approximately $15 (November 30, 2022 – decrease by $19). An assumed 1% weakening of the Canadian dollar versus the RMB would have had an equal but opposite effect on these amounts.

17.3 Credit risk

For the year ended November 30, 2023, the Corporation recorded a bad debts expense recovery of $149 against trade receivables in selling, general and administrative expenses in the consolidated statements of earnings (2022 – bad debts recovery of $504). The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. The Corporation considers a receivable to be in default when contractual payments are 180 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. Please see Note 21 for sales to the Company's largest customers. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

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

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

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

Accounts receivables consist of the following:

	November 30, 2023 $	November 30, 2022 $
Trade receivables, net	**27,982**	16,165
Other receivables	**889**	450
Total accounts receivables	**28,871**	16,615

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

	November 30, 2023 $	November 30, 2022 $
By geographical area:		
Canada	**1,645**	1,718
United States	**20,892**	11,119
Asia	**3,725**	2,468
Europe	**1,882**	789
Other Americas	**300**	367
Trade receivables	**28,444**	16,461
Expected credit losses ("ECL")	**(462)**	(296)
Trade receivables, net of ECL	**27,982**	16,165
Aging by due dates:		
Current	**24,502**	15,799
Past due 31 to 120 days	**3,876**	662
Past due over 121 days	**66**	-
Trade receivables	**28,444**	16,461
ECL	**(462)**	(296)
Trade receivables, net of ECL	**27,982**	16,165

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

The movements in the ECL are as follows:

	November 30, 2023	November 30, 2022
	$	$
Balance, beginning of the year	**296**	373
Provision expensed during the year	**178**	395
Acquired through business combinations (Note 5)	**178**	-
Provision written off/released during the year	**(191)**	(504)
Foreign exchange impact and other	**1**	32
Balance, end of the year	**462**	296

17.4 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 12.4. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors review and approve the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally generated cash flows and the use of its credit facility.

The following is the summary of contractual maturities of financial liabilities and obligations, excluding future interest payments but including interest, accrued to November 30, 2023 and November 30, 2022:

					November 30, 2023	November 30, 2022
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Amount**	Amount
	$	**$**	**$**	**$**	**$**	$
Bank debt[1] (committed facility) *(Note 10.1)*	1,112	675	2,769	-	**4,556**	1,445
Bank debt interest payments	290	229	487	53	**1,059**	57
Accounts payable and accrued liabilities, and provisions	25,037	-	-	-	**25,037**	15,729
Contract liabilities	1,841	-	-	-	**1,841**	4,423
Income tax payable	1,103	-	-	-	**1,103**	712
Lease liabilities *(Note 9.2)*	3,639	3,187	7,285	603	**14,714**	5,618
Operating leases	44	-	-	-	**44**	121
Government loan *(Note 10.2)*	-	776	3,495	1,424	**5,695**	1,926
	33,066	**4,867**	**14,036**	**2,080**	**54,049**	30,031

1. Bank debt as at November 30, 2023 is offset by $104 for deferred financing charge (2022 - $47).

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2023 and 2022, except as disclosed in Note 12.2.

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

18.2 Compensation of directors and key management personnel

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

	Years ended	
	November 30, 2023	November 30, 2022
	$	$
Short-term remuneration benefits	**1,697**	1,591
Stock-based payment benefits	**438**	256
	2,135	1,847

19. EMPLOYEE COMPENSATION

Employee compensation expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2023, wages, salaries and related benefits were $55,982 (2022 – $36,326).

19.1 Aviation Manufacturing Jobs Protection program

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

During the year ended November 30, 2023, the Corporation recorded $nil of AMJP funding as a reduction to cost of sales in the consolidated statement of earnings (2022 – $314).

19.2 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 year ended November 30, 2023, the Corporation's U.S. operations were approved for and received $3,758 (US$2,763) in funds pursuant to the ERC program. The funds received reduced cost of sales by $3,170 and reduced selling, general and administrative expenses by $588.

20. COMMITMENTS AND CONTINGENCIES

20.1 Lease commitments

The Corporation has entered into commercial leases for certain equipment. Please see Note 17.4 for future minimum lease payments under non-cancellable operating leases.

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

20.2 Contingencies

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

21. SEGMENTED INFORMATION

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

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

	Year ended November 30, 2023			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Gross segment sales	**91,853**	**46,598**	**-**	**138,451**
Inter-segment sales	**-**	**-**	**(3,251)**	**(3,251)**
Net sales	**91,853**	**46,598**	**(3,251)**	**135,200**
Cost of sales and selling, general and administrative expenses	**71,876**	**33,580**	**1,413**	**106,869**
Research and development costs	**5,461**	**1,176**	**-**	**6,637**
Recovery of investment tax credits	**(488)**	**(158)**	**-**	**(646)**
Depreciation of plant and equipment	**3,893**	**499**	**150**	**4,542**
Depreciation of right-of-use assets	**1,585**	**646**	**45**	**2,276**
Amortization of intangible assets	**193**	**-**	**-**	**193**
Foreign exchange (gain) loss	**307**	**207**	**(518)**	**(4)**
Earnings (loss) before interest and income taxes	**9,026**	**10,648**	**(4,341)**	**15,333**
Interest expense, net	**116**	**(3)**	**51**	**164**
Accretion on lease liabilities	**824**	**290**	**5**	**1,119**
Income tax expense	**-**	**-**	**2,225**	**2,225**
Net earnings (loss)	**8,086**	**10,361**	**(6,622)**	**11,825**
Other operating segments disclosures:				
Sale-leaseback of Aerospace Chatsworth facility	**-**	**(8,382)**	**-**	**(8,382)**
Additions to plant and equipment	**5,592**	**925**	**10**	**6,527**

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

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

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

	As at November 30, 2023			As at November 30, 2022		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**94,489**	**31,218**	**125,707**	52,999	30,747	83,746
Intangible assets, goodwill and other assets	**10,703**	**165**	**10,868**	211	188	399
Total segment liabilities	**52,172**	**13,212**	**65,384**	22,480	11,971	34,451

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

	Years ended			
	November 30, 2023	**%**	November 30, 2022	%
Canada	**8,973**	**6.6**	9,145	10.2
United States	**105,918**	**78.3**	65,153	72.7
Asia	**11,737**	**8.7**	8,502	9.5
Europe	**7,180**	**5.3**	5,428	6.1
Other	**1,392**	**1.1**	1,396	1.5
Total	**135,200**	**100.0**	89,624	100.0

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

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

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

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

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

	Years ended	
	November 30, 2023	November 30, 2022
	$	$
Sale of goods	**133,863**	88,830
Services	**1,337**	794
	135,200	89,624

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

	Years ended	
	November 30, 2023	November 30, 2022
	$	$
At a point of time	**133,863**	88,830
Over time	**1,337**	794
	135,200	89,624

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

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

For the year ended November 30, 2023	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	**United States, Europe, Canada**	**18,695**	**5,973**	**24,668**	**18.2**
Customer B	**United States, Asia, Canada, Europe**	**14,103**	**1,057**	**15,160**	**11.2**

For the year ended November 30, 2022	Location	Circuits Segment	Aerospace Segment	Total	% of FTG total net sales
		$	$	$	
Customer A	United States, Europe	16,074	6,885	22,959	25.6
Customer B	Asia, Canada, United States	8,909	524	9,433	10.5

CORPORATE DIRECTORY

DIRECTORS

Mike Andrade
Corporate Director and CEO, Morgan Solar

Robert J. Beutel
Executive Officer, Oakwest Corporation Limited

Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna
Corporate Director

David F. Masotti
Corporate Director and Business Consultant

Amy F. Rice
CEO, Sy-Klone International

OFFICERS

Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

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

CORPORATE HEAD OFFICE

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AUDITORS

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STOCK LISTING

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

ANNUAL GENERAL MEETING

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

April 12, 2024, 10:30am (Toronto Time)
Hilton Toronto,
145 Richmond Street West, 3rd Floor, Osgoode Room
Toronto, Canada M5H 2L2

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