FIRAN TECHNOLOGY GROUP CORPORATION

Audited Consolidated Financial Statements
For the years ended November 30, 2024 and 2023

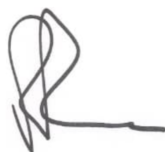
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 2024 have been independently audited by McGovern Hurley 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

President and Chief Executive Officer

February 18, 2025

James Crichton

Vice President, Chief Financial Officer and Corporate Secretary

February 18, 2025

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 "Company"), which comprise the consolidated statement of financial position as at November 30, 2024, and the consolidated statement of earnings, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit 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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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.

Other matter

The consolidated financial statements of the Company for the year ended November 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on February 6, 2024.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill	
Under IFRS, the Company is required to annually test the amount of goodwill for impairment. We identified the impairment assessment of goodwill as a key audit matter due to the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessment, which can be inherently uncertain and could be subject to management bias. As disclosed in Note 8 to the consolidated financial statements, as at November 30, 2024 the carrying value of goodwill was $9,273. Management has made a number of key assumptions and assertions to support their assessment of the carrying value of goodwill. The key assumptions include growth rates, discount rates applied, and the forecast operating performance.	In this regard, our audit procedures included: - Assessing the valuation methodology adopted by management which is disclosed in Note 8 to the consolidated financial statements; - Testing the mathematical accuracy of management's calculation; - Reconciling input data used in the cash flow forecasts to supporting evidence, such as approved budgets and considering the reasonableness of those budgets; - Considering the potential impact of reasonably possible downside changes in these key assumptions; and - Involving valuation specialists to evaluate the methodologies, assumptions and data used by the Company, in particular those assumptions relating to the discount rate applied, forecasted revenue growth and operating performance.

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 audit 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 audit 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, 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 IFRS 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 Company'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 Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 judgement 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 risks 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 Company'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 Company'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 Company 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.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 of the audit resulting in this independent auditor’s report is Jessica Glendinning.

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 18, 2025

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	As at **November 30, 2024**	November 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 9,956**	$ 6,616
Accounts receivable *(Note 17.3)*	**33,671**	28,679
Contract assets	**1,909**	300
Inventories *(Note 6)*	**34,429**	36,561
Income tax recoverable *(Note 14)*	**83**	-
Prepaid expenses	**2,125**	1,894
Total current assets	**82,173**	74,050
Non-current assets		
Property, plant and equipment, net *(Note 7)*	**18,155**	15,982
Non-current deposits	**130**	505
Right-of-use assets *(Note 9)*	**22,689**	23,628
Intangible assets *(Note 8)*	**1,569**	1,716
Deferred tax assets *(Note 14.1)*	**869**	674
Deferred development costs	**120**	162
Goodwill *(Note 5, Note 8)*	**9,273**	8,990
Total assets	**134,978**	125,707
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**23,577**	24,377
Provision for product warranties *(Note 11)*	**762**	653
Contract liabilities	**1,021**	1,841
Current portion of bank debt *(Note 10.1)*	**707**	1,020
Current portion of government loans *(Note 10.2)*	**937**	175
Current portion of lease liabilities *(Note 9.2)*	**3,847**	3,830
Income tax payable *(Note 14)*	**-**	1,103
Current portion of contingent consideration	**1,471**	-
Total current liabilities	**32,322**	32,999
Non-current liabilities		
Bank debt *(Note 10.1)*	**2,161**	3,448
Government loans *(Note 10.2)*	**6,818**	5,585
Lease liabilities *(Note 9.2)*	**20,840**	21,120
Contingent consideration *(Note 5)*	**-**	2,232
Total liabilities	**62,141**	65,384
Equity		
Retained earnings	**41,850**	31,035
Accumulated other comprehensive income (loss)	**417**	(1,349)
	42,267	29,686
Share capital		
Common Shares *(Note 12.1)*	**21,150**	21,310
Contributed surplus	**8,735**	8,539
Total equity attributable to FTG's shareholders	**72,152**	59,535
Non-controlling interest	**685**	788
Total equity	**72,837**	60,323
Total liabilities and equity	**134,978**	125,707

See accompanying notes.

Commitments and contingencies *(Note 20)*

Subsequent events *(Note 22)*

Approved on behalf of the board:

Director

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended **November 30, 2024**	November 30, 2023
Sales	**$ 162,096**	$ 135,200
Cost of sales		
Cost of sales *(Note 6, Note 19)*	**109,899**	89,366
Depreciation of property, plant and equipment *(Note 7)*	**5,165**	4,339
Depreciation of right-of-use assets *(Note 9)*	**2,856**	2,210
Total cost of sales	**117,920**	95,915
Gross margin	**44,176**	39,285
Expenses		
Selling, general and administrative *(Note 19)*	**20,350**	16,961
Research and development costs *(Note 13)*	**7,044**	6,637
Recovery of investment tax credits	**(743)**	(646)
Depreciation of property, plant and equipment *(Note 7)*	**191**	203
Depreciation of right-of-use assets *(Note 9)*	**73**	66
Amortization of intangible assets *(Note 8)*	**195**	193
Interest expense (income) on bank debt, net *(Note 10.1)*	**353**	(43)
Notional interest expense on government loans *(Note 10.2)*	**392**	207
Accretion on lease liabilities *(Note 9)*	**1,465**	1,119
Stock based compensation *(Note 12.2)*	**739**	512
Foreign exchange (gain) loss *(Note 16)*	**(227)**	(4)
Change in fair value of contingent consideration *(Note 5.1)*	**(829)**	-
Loss provision on sale-leaseback of building	**-**	30
Total expenses	**29,003**	25,235
Earnings before income taxes	**15,173**	14,050
Current income tax expense *(Note 14.2)*	**4,409**	3,499
Deferred income tax expense (recovery) *(Note 14.1)*	**(316)**	(1,274)
Total income tax expense	**4,093**	2,225
Net earnings	**11,080**	11,825
Attributable to:		
Non-controlling interest	**265**	204
Equity holders of FTG	**10,815**	11,621
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 12.3)*	**$ 0.45**	$ 0.49
Diluted *(Note 12.3)*	**$ 0.45**	$ 0.48

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Years ended November 30, 2024	November 30, 2023
Net earnings	**$ 11,080**	$ 11,825
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	**1,391**	(40)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 16)*	**522**	(569)
Deferred income taxes on net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges	**(130)**	142
	1,783	(467)
Total comprehensive income	**$ 12,863**	$ 11,358
Attributable to:		
Equity holders of FTG	**$ 12,581**	$ 11,146
Non-controlling interest	**$ 282**	$ 212

See accompanying notes.

Consolidated Statements of Changes in Equity

Years ended November 30, 2024 and 2023	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, 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**
Net earnings	**-**	**10,815**	**-**	**-**	**10,815**	**265**	**11,080**
Equity-settled stock-based compensation	**-**	**-**	**294**	**-**	**294**	**-**	**294**
Transfer from contributed surplus to share capital for PSU's excercised	**98**	**-**	**(98)**	**-**	**-**	**-**	**-**
Common shares repurchased and issued on exercise of PSU's	**(258)**	**-**	**-**	**-**	**(258)**	**-**	**(258)**
Return of capital to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(385)**	**(385)**
Other comprehensive income (loss)	**-**	**-**	**-**	**1,766**	**1,766**	**17**	**1,783**
Balance, November 30, 2024	**$ 21,150**	**$ 41,850**	**$ 8,735**	**$ 417**	**$ 72,152**	**$ 685**	**$ 72,837**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended November 30, 2024	November 30, 2023
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	**$ 11,080**	$ 11,825
Items not affecting cash and cash equivalents:		
Equity-settled stock-based compensation *(Note 12.2)*	**294**	220
Loss on disposal of plant and equipment	**75**	27
Loss provision on sale-leaseback of building	**-**	30
Effect of exchange rates on U.S. dollar bank debt	**96**	(89)
Depreciation of property, plant and equipment *(Note 7)*	**5,356**	4,542
Depreciation of right-of-use assets *(Note 9)*	**2,929**	2,276
Amortization of intangible assets *(Note 8)*	**195**	193
Amortization, other	**(135)**	(123)
Notional interest expense on government loan *(Note 10.2)*	**392**	207
Deferred income taxes *(Note 14.1)*	**(316)**	(1,274)
Accretion on lease liabilities *(Note 9)*	**1,465**	1,119
Change in fair value of contingent consideration *(Note 5.1)*	**(829)**	-
Net change in non-cash operating working capital *(Note 15)*	**(6,472)**	(7,656)
Net cash from operating activities	**14,130**	11,297
Investing activities		
Acquisition of Holaday Circuits, LLC *(Note 5)*	**-**	(23,504)
Acquisition of IMI, Inc. *(Note 5)*	**(411)**	(1,865)
Proceeds from sale-leaseback of Aerospace Chatsworth facility *(Note 7.1)*	**-**	8,382
Additions to property, plant and equipment *(Note 7)*	**(7,248)**	(6,527)
Decrease (Increase) in non-current deposits	**373**	(203)
Recovery of contract and other costs	**43**	23
Net cash used in investing activities	**(7,243)**	(23,694)
Net cash from (used in) operating and investing activities	**6,887**	(12,397)
Financing activities		
Proceeds from government loans *(Note 10.2)*	**1,856**	3,769
Proceeds from bank debt	**-**	4,073
Repayments of bank debt	**(1,760)**	(858)
Additions to deferred financing costs *(Note 10.1)*	**(55)**	(80)
Return of capital to non-controlling interest	**(385)**	(396)
Lease liability payments *(Note 9)*	**(3,734)**	(2,862)
Repurchase of common shares on exercise of PSU's	**(258)**	-
Repurchase and cancellation of shares *(Note 12.5)*	**-**	(156)
Net cash from (used in) financing activities	**(4,336)**	3,490
Effects of foreign exchange rate changes on cash flow	**789**	(143)
Net increase (decrease) in cash	**3,340**	(9,050)
Cash, beginning of the year	**6,616**	15,666
Cash, end of year	**$ 9,956**	$ 6,616
Disclosure of cash payments		
Payment for interest	**$ 374**	$ 271
Payments for income taxes	**$ 4,854**	$ 2,612

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 the following 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.
- FTG Holding Corp., together with FTG own 100% of the voting securities of FTG Aerospace Hyderabad Private Limited (India).

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 18, 2025.

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 and its subsidiaries' functional currency is the United States dollar ("USD").
- FTG Aerospace Tianjin Inc.'s and the JV's functional currency is the Chinese Renminbi ("RMB").
- FTG Aerospace Hyderabad Private Limited's functional currency is the Indian Rupee ("INR").

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, 2024 and 2023. 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 from engineering services 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 recorded as a liability, 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
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 five 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 Corporation 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 recognized 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 substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, 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.

All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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, government loans, contingent consideration 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

Contingent consideration and derivative 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. 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 cash and cash equivalents, accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, bank debt, and government loans. 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 cost, 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 reassesses 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 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, with any changes in the fair value recognized as compensation expense.

The Corporation's Board of Directors has agreed to dissolve the DSU plan and outstanding DSUs are expected to be settled subsequent to November 30, 2024.

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.

a) 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.

b) Introduction of IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. The Corporation plans to review the new standard and adopt the new standard on the required effective date.

4. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of 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 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.

When the consideration transferred in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in earnings or loss.

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.

4.9 Leases

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. Judgements are made by the Corporation in determining whether extension options are included in the term of the leases.

Judgements are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract. 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.

4.10 Government loans

The Corporation measures the benefit of an interest-free government loan as the difference between the fair value of the interest-free loan and the proceeds received. If the incremental borrowing rate were higher, the amount of government assistance income recorded would increase, with the opposite effect if the incremental borrowing rate were lower. Judgements are made by the Corporation in determining the incremental borrowing rate used to measure the fair value of the interest-free loan.

5. BUSINESS COMBINATIONS

5.1 Acquisition of Holaday Circuits, LLC

On April 28, 2023, the Corporation acquired all of the 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 ($29,467). Holaday was renamed to FTG Circuits Minnetonka LLC immediately following the acquisition.

The total purchase consideration consisted of:

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

(ii) US$2,200 ($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 ($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 ($2,232). The contingent consideration was paid to the seller subsequent to November 30, 2024.

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 recorded tax deductible goodwill in the United States of approximately US$8 million ($11 million).

The fair value of the contingent consideration is estimated based on whether the financial target of Holaday is met subsequent to the acquisition date. Changes in the financial results of Holaday would increase or decrease the amount payable. During the year ended November 30, 2024, the Corporation adjusted the estimated fair value of the contingent consideration to reflect the actual results of the business during the earnout period. As a result, the Corporation recorded a reduction of US$594 ($829) in the fair value of the contingent consideration. The change in fair value of contingent consideration is recognized in the consolidated statement of earnings. The contingent consideration was paid to the seller subsequent to November 30, 2024.

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 ($2,272). IMI was renamed to FTG Circuits Haverhill Inc. immediately following the acquisition.

The total purchase consideration consisted of:

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

(ii) US$300 ($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 holdback was paid to the seller during the year ended November 30, 2024.

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 fair value.

	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, 2024 $	November 30, 2023 $
Raw materials and spare parts	**12,652**	10,317
Work-in-progress	**14,510**	18,266
Finished goods	**7,267**	7,978
	34,429	36,561

The cost of inventories recognized as an expense during the year ended November 30, 2024 was $48,645 (2023 – $41,731), this amount also included $325 of reversal of obsolescence provision (2023 – $1,414 of write down).

7. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment $	**Furniture and fixtures $**	**Leasehold improvements $**	**Total $**
Cost				
At November 30, 2022	55,377	473	6,779	62,629
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**	**7,147**	**71,985**
Additions	**5,345**	**2**	**1,901**	**7,248**
Disposal and other	**(1,630)**	**-**	**-**	**(1,630)**
Foreign currency translation	**883**	**13**	**134**	**1,030**
At November 30, 2024	**68,896**	**555**	**9,182**	**78,633**
Accumulated depreciation				
At November 30, 2022	45,757	453	5,701	51,911
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**	**6,094**	**56,003**
Depreciation[1]	**4,813**	**12**	**531**	**5,356**
Disposal and other	**(1,593)**	**-**	**-**	**(1,593)**
Foreign currency translation	**590**	**10**	**112**	**712**
At November 30, 2024	**53,250**	**491**	**6,737**	**60,478**
Net book value				
At November 30, 2023	14,858	71	1,053	15,982
At November 30, 2024	**15,646**	**64**	**2,445**	**18,155**

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

Included in machinery and equipment as at November 30, 2024 are $2,476 (November 30, 2023 – $1,693) 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.

8. INTANGIBLE ASSETS AND GOODWILL

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

	Years ended	
	November 30, 2024 $	November 30, 2023 $
Cost		
Balance, beginning of the year	**2,839**	1,137
Addition	**-**	1,698
Foreign currency translation	**74**	4
Balance, end of the year	**2,913**	2,839
Accumulated amortization		
Balance, beginning of the year	**1,123**	922
Amortization during the year	**195**	193
Foreign currency translation	**26**	8
Balance, end of the year	**1,344**	1,123
Net book value	**1,569**	1,716

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 $8,537 (2023 – $8,276) and $736 (2023 – $714).

In the assessment of impairment, management used gross margin projection, earnings before interest, taxes, depreciation and amortization, and the Corporation's weighted average cost of capital 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 pre-tax discount rate of 19.1% and 19.3% 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. Changes in key assumptions that management believes are reasonably possible would not cause the recoverable amount to fall below the carrying value.

9. LEASES

9.1 Right-of-use assets

	Buildings $	Equipment $	Total $
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**
Addition	**-**	**66**	**66**
Modification	**1,374**	**11**	**1,385**
Depreciation[1]	**(2,859)**	**(70)**	**(2,929)**
Foreign currency translation	**547**	**(8)**	**539**
At November 30, 2024	**22,546**	**143**	**22,689**

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 the renewal option will be exercised.

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

	Years ended	
	November 30, 2024 $	November 30, 2023 $
Balance, beginning of the year	**24,950**	10,259
Additions	**43**	2,748
Business combinations	**-**	13,538
Modification	**1,386**	126
Accretion on lease liabilities	**1,465**	1,119
Payments	**(3,734)**	(2,862)
Disposal	**-**	-
Foreign exchange and other	**577**	22
Balance, end of the year	**24,687**	24,950
Current portion of lease liabilities	**3,847**	3,830
Non-current portion of lease liabilities	**20,840**	21,120

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. Extension options that are reasonably certain to be exercised 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 US$10.0 million operating credit for working capital purposes and a US$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:

- US$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.

- US$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.

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

- US$2,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of US$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*).

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

- US$10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of US$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 $39 as at November 30, 2024 (November 30, 2023 – $104) have been offset against bank debt in the consolidated statement of financial position.

As at November 30, 2024, the Corporation had entered into one (November 30, 2023 – two) interest rate swap. The interest rate swap is not material.

The Corporation's credit facilities as described above are subject to certain covenants with which the Corporation determined that it was in full compliance as at November 30, 2024.

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

Loan description	Estimated monthly payment	Interest Rate	**November 30, 2024**		November 30, 2023	
			USD	**$**	USD	$
5.0 year US$1,500 term loan, amortized over 7 years	US$18 plus interest	SOFR + 229 basis points	**-**	**-**	214	291
5.0 year US$1,000 term loan, amortized over 7 years	US$12 plus interest	SOFR + 229 basis points	**71**	**100**	190	259
5.0 year US$3,000 term loan, amortized over 7 years	US$38 plus interest	SOFR + 229 basis points	**2,004**	**2,808**	2,962	4,022

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

The following table reconciles the opening and closing balances of bank debt:

	November 30, 2024	November 30, 2023
	$	$
Balance, beginning of the year	**4,468**	1,398
Proceeds from bank debt loans received	**-**	4,073
Repayment of bank debt	**(1,760)**	(858)
Additions to deferred financing costs	**(55)**	(80)
Amortization of deferred financing costs	**120**	28
Foreign currency translation	**95**	(93)
Ending balance	**2,868**	4,468
Less: current portion (amounts due within one year)	**707**	1,020
Non-current portion	**2,161**	3,448

Subsequent to November 30, 2024, the Corporation terminated the credit facility and entered into a new credit facility agreement with another major financial institution, see Note 22.

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 ended March 31, 2024. The funding will be repayable, without interest, in monthly instalments of $117 commencing in April 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 ended November

30, 2024. The conditional loan was 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.

	November 30, 2024 **$**	November 30, 2023 $
Balance, beginning of the year	**5,760**	1,930
Government loans received	**1,856**	3,769
Notional interest expense during the year	**392**	207
Government grant income during the year	**(253)**	(146)
Ending balance	**7,755**	5,760
Less: current portion (amounts due within one year)	**937**	175
	6,818	5,585

11. PROVISION FOR PRODUCT WARRANTIES

	Years ended	
	November 30, 2024 **$**	November 30, 2023 $
Product warranties		
Balance, beginning of the year	**653**	823
Arising during the year	**559**	743
Utilized during the year	**(455)**	(919)
Foreign exchange impact and other	**5**	6
Balance, end of the year	**762**	653

Product warranty provisions are recognized 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, 2024 and November 30, 2023. No Preferred Shares were outstanding as at November 30, 2024, 2023 and 2022.

	November 30, 2024		November 30, 2023	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**23,874,802**	**21,310**	23,926,901	21,357
Transfer from contributed surplus to share capital for PSU's exercised	**-**	**98**	-	-
Common shares repurchased and issued on exercise of PSU's	**-**	**(258)**	-	-
Repurchase and cancellation of shares	**-**	**-**	(52,099)	(47)
Outstanding, end of the year	**23,874,802**	**21,150**	23,874,802	21,310

12.2 Stock-based compensation

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

	November 30, 2024 $	November 30, 2023 $
PSU	**294**	220
DSU	**445**	292
	739	512

Performance share units

The following is a continuity of the changes in the number of PSUs outstanding for the years ended November 30, 2024 and November 30, 2023:

	November 30, 2024		November 30, 2023	
	Number of PSUs	**Weighted average grant price**	Number of PSUs	Weighted average grant price
Outstanding, beginning of the year	**258,750**	**2.47**	253,958	2.18
Granted	**90,000**	**5.30**	90,000	2.99
Vested	**(52,545)**	**2.03**	-	-
Forfeited/Cancelled	**(38,330)**	**2.23**	(85,208)	2.16
Outstanding, end of the year	**257,875**	**3.58**	258,750	2.47

During the year ended November 30, 2024, 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.

PSUs outstanding as at November 30, 2024 and November 30, 2023 are as below:

November 30, 2024						
Grant year	**Number of PSUs Outstanding**	**Grant price per PSU $**	**Vesting period**	**Vesting date**	**Remaining contractual life (years)**	**Number of PSUs vested/exercisable**
2022	**81,250**	**2.35**	**2022 – 2024**	**November 30, 2024**	**-**	**-**
2023	**80,625**	**3.01**	**2023 – 2025**	**November 30, 2025**	**1.0**	**-**
2023	**7,500**	**2.80**	**2023 – 2025**	**November 30, 2025**	**1.0**	**-**
2024	**88,500**	**5.30**	**2024 – 2026**	**November 30, 2026**	**2.0**	**-**
	257,875					**-**

November 30, 2023						
Grant year	Number of PSUs Outstanding	Grant price per PSU $	Vesting period	Vesting 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					-

Restricted share units

The following is a continuity of the changes in the number of RSUs outstanding for the years ended November 30, 2024 and November 30, 2023:

	November 30, 2024		November 30, 2023	
	Number of RSUs	**Weighted average grant price**	Number of RSUs	Weighted average grant price
Outstanding, beginning of the year	**-**	**-**	-	-
Granted	**100,000**	**5.11**	-	-
Outstanding, end of the year	**100,000**	**5.11**	-	-

During the year ended November 30, 2024, 100% of the RSUs granted were based on the achievement of a non-market performance condition. RSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based RSUs is determined by the market value of the Corporation’s Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

RSUs outstanding as at November 30, 2024 and November 30, 2023 are as below:

November 30, 2024						
Grant year	**Number of RSUs Outstanding**	**Grant price per RSU $**	**Vesting period**	**Vesting date**	**Remaining contractual life (years)**	**Number of PSUs vested/exercisable**
2024	**100,000**	**5.11**	**2024 – 2026**	**November 30, 2026**	**2.0**	**-**
	100,000					**-**

Directors' deferred share units

The following is a continuity of the changes in the number of DSUs outstanding for the years ended November 30, 2024 and November 30, 2023:

	November 30, 2024		November 30, 2023	
	Number of DSUs	**Weighted average grant price**	Number of DSUs	Weighted average grant price
Outstanding, beginning of the year	**69,753**	**2.99**	19,374	2.16
Granted	**28,502**	**5.14**	50,379	3.30
Outstanding, end of the year	**98,255**	**3.61**	69,753	2.99

During the year ended November 30, 2024, 100% of the DSUs granted vested immediately upon grants. DSUs are settled in cash after the departure of a director.

DSUs outstanding as at November 30, 2024 and November 30, 2023 are as below:

November 30, 2024						
Grant year	**Number of DSUs Outstanding**	**Grant price per DSU $**	**Vesting period**	**Vesting date**	**Number of DSUs vested**	**Number of DSUs exercisable**
2024	**28,502**	**5.14**	**Immediately upon grants**	**Immediately upon grants**	**28,502**	**-**
2023	**50,379**	**3.30**	**Immediately upon grants**	**Immediately upon grants**	**50,379**	**-**
2022	**19,374**	**2.16**	**Immediately upon grants**	**Immediately upon grants**	**19,374**	**-**
	98,255				**98,255**	**-**

November 30, 2023						
Grant year	Number of DSUs Outstanding	Grant price per DSU $	Vesting period	Vesting date	Number of DSUs vested	Number of DSUs exercisable
2023	50,379	3.30	Immediately upon grants	Immediately upon grants	50,379	-
2022	19,374	2.16	Immediately upon grants	Immediately upon grants	19,374	-
	69,753				69,753	-

As at November 30, 2024, accounts payable and accrued liabilities included $852 of liability arising from unsettled DSUs (2023 - $143). The Corporation's Board of Directors has agreed to dissolve the DSU plan and outstanding DSUs are expected to be settled subsequent to November 30, 2024.

12.3 Earnings per share

	Years ended			
		November 30, 2024		November 30, 2023
Numerator				
Net earnings attributable to equity holders of FTG	**$**	**10,815**	$	11,621
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$**	**10,815**	$	11,621
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$**	**10,815**	$	11,621
Denominator				
Denominator for basic earnings per share - weighted average number of Common Shares outstanding		**23,874,802**		23,906,155
Effect of dilutive securities:				
Weighted average number of PSU's		**254,658**		253,584
Weighted average number of RSU's		**77,596**		-
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions		**24,207,056**		24,159,739
Earnings per share data attributable to the equity holders of FTG				
Basic earnings per share	**$**	**0.45**	$	0.49
Diluted earnings per share	**$**	**0.45**	$	0.48

The PSUs and RSUs were included in calculating diluted earnings per share for the year ended November 30, 2024 and 2023 as the Corporation had net earnings.

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, 2024	November 30, 2023
	$	$
Total equity attributable to FTG’s shareholders	**72,152**	59,535
Bank debt	**2,868**	4,468
Government loans	**7,755**	5,760
Managed capital	**82,775**	69,763

The Corporation manages its capital structure and makes adjustments to it as necessary, taking into account the economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation may increase or repay long-term debt, issue shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors 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 years ended November 30, 2024 and 2023.

The Corporation is not subject to any capital requirements imposed by a regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

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

The Toronto Stock Exchange (the "TSX") accepted the Corporation's notice of intention to establish the following normal course issuer bid programs (together the "NCIB programs").

NCIB Program	Start Date	End Date	Maximum Number of Common Shares Permitted to be Purchased
NCIB-1	April 22, 2022	April 21, 2023	1,224,560
NCIB-2	June 5, 2023	June 4, 2024	1,195,550
NCIB-3	August 26, 2024	August 25, 2025	1,197,740

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.

During the year ended November 30, 2024, the Corporation purchased and cancelled Nil Common Shares (2023 – 52,100) at a weighted average price of $Nil per share (2023 – $2.89) for a total amount of Nil (2023 – $154) including commission and other transaction costs.

As at November 30, 2024, the Corporation has purchased and cancelled 616,400 shares cumulatively under the NCIB programs (2023 – 616,400).

13. 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, 2024 and November 30, 2023 as follows:

	November 30, 2024 $	November 30, 2023 $
Accounting income before tax	**15,173**	14,050
Statutory tax rate	**25%**	25%
	3,793	3,513
Change in benefits not recognized	**(258)**	(1,430)
Non-deductible expenses	**364**	142
Foreign tax rate differences	**(174)**	(176)
Change in foreign exchange rates	**(387)**	(87)
Change in tax rates	**-**	225
Book to filing adjustment and others	**755**	38
Income tax expense	**4,093**	2,225

14.1 Deferred income taxes

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

	November 30, 2024 $	November 30, 2023 $
Opening balance, net	**674**	748
Recovered (charged) to earnings during the year	**316**	1,274
Recovered in other comprehensive income (loss) during the year	**(130)**	142
Business combination	**-**	(1,466)
Other	**9**	(24)
Closing balance, net	**869**	674

The movement in net deferred income tax assets/liabilities during the year ended November 30, 2024 is as follows:

	Balance as at November 30, 2023 $	Recovered (charged) to earnings $	Charged to other comprehensive income $	Charged to Goodwill $	Charged to Other $	Balance as at November 30, 2024 $
Deferred income tax assets (liabilities), net:						
Tax losses carried forward	8,360	(234)	-	-	-	8,126
Deferred development costs	(40)	10	-	-	-	(30)
Tax attributes - R&D Credits	1,148	36	-	-	-	1,184
Other temporary differences	1,343	248	(130)	-	9	1,470
Inventory	1,832	(249)		-	-	1,583
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	(1,534)	458	-	-	-	(1,076)
Right-of-use assets	(5,296)	189	-	-	-	(5,107)
Lease liabilities	5,599	(33)	-	-	-	5,566
Capital loss carryforward	2,249	(59)	-	-	-	2,190
Deferred tax payable on investment tax credit recoverable	(197)	(14)	-	-	-	(211)
Goodwill	455	(149)	-	-	-	306
Contingent consideration	496	(169)	-	-	-	327
Deferred income tax assets not recognized	(13,669)	258	-	-	-	(13,411)
Deferred income tax assets (liabilities), net:	674	316	(130)	-	9	869

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

	Balance as at November 30, 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

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, 2024**	November 30, 2023
		$	$
United States	Between 2035 and 2037	**7,130**	18,398
United States	Do not expire	**29,223**	18,629
China	-	**-**	347

As of November 30, 2024, no deferred tax asset has been recorded in respect of these losses as it is uncertain that future taxable profit will be available.

14.2 Income tax expense, net

	Years ended	
	November 30, 2024	November 30, 2023
	$	$
Income tax expense/(recovery):		
Current tax expense – in earnings during the year	**4,409**	3,499
Deferred tax expense– in earnings during the year	**(330)**	(1,272)
Deferred tax (recovery) (ITCs) – charged to earnings during the year	**14**	(2)
Deferred tax expense (recovery) – in other comprehensive income (loss) during the year	**130**	(142)
	4,223	2,083

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, 2024 was 27.0% (2023 – 15.8%).

15. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2024	November 30, 2023
	$	$
Accounts receivable and contract assets	**(6,581)**	(5,760)
Inventories	**2,053**	(5,243)
Prepaid expenses and other	**288**	(1,290)
Contract liabilities	**(801)**	(2,578)
Accounts payable and accrued liabilities, and provisions	**(246)**	6,647
Income tax payable	**(1,185)**	568
	(6,472)	(7,656)

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, 2024 and November 30, 2023.

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, 2024 and November 30, 2023.

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2024 and November 30, 2023.

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

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.

Government loans

The fair value of government loan bearing market interest rates approximates its carrying value. The fair value of government loan bearing below-market or no interest rate are calculated as the present value of future repayments using the Corporation's incremental borrowing rate.

Derivative financial instruments and hedge accounting

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2024. The table below summarizes the unrealized gains (losses) included in the fair values:

	November 30, 2024 $	November 30, 2023 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**(2,393)**	(2,572)
Gold forward contracts	**581**	229
Interest rate swaps	**-**	8
Net unrealized losses of derivative instruments	**(1,812)**	(2,335)
Tax effect	**453**	584
Included in accumulated other comprehensive income	**(1,359)**	(1,751)

The following table represents the movement in net unrealized gain (loss) since the designation of hedging derivative instruments:

	Years ended	
	November 30, 2024 $	November 30, 2023 $
Accumulated other comprehensive (loss) income on cash flow hedges as at the beginning of the year	**(2,335)**	(1,765)
Change in fair value on derivatives designated as cash flow hedges	**(1,111)**	(680)
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:		
Revenue	**1,954**	118
Cost of sales	**(320)**	(8)
Accumulated other comprehensive loss from cash flow hedges as at the end of the year	**(1,812)**	(2,335)

a) Foreign exchange forward contracts

The Corporation has entered into foreign exchange forward contracts with 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, 2024 and 2023:

As at	**Currency sold**	**Currency bought**	**Notional value**	**Forward value at transaction date**	**Forward current value**	**Unrealized loss**
November 30, 2024	**USD**	**CAD**	**US$40,900**	**$53,934**	**$56,327**	**($2,393)**
November 30, 2023	USD	CAD	US$54,150	$70,277	$72,849	($2,572)

As at November 30, 2024 and 2023, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (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, 2024, the Corporation had an outstanding commitment to buy 900 ounces of gold (2023 – 1,050 ounces of gold) under gold forward contracts at a contract price of approximately $3.17 per ounce (2023 – $2.66) expiring quarterly from December 2024. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized gain (loss)
November 30, 2024	**Gold forward contract**	**900 ounces**	**$2,855**	**$3,436**	**$581**
November 30, 2023	Gold forward contract	1,050 ounces	$2,790	$3,019	$229

As at November 30, 2024 and 2023, 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, 2024 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 2025, 2026 and 2027.

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 one (November 30, 2023 – two) interest rate swaps as at November 30, 2024.

Based on the value of interest bearing financial instruments for the year ended November 30, 2024, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $17 (year ended November 30, 2023 – $20), 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, 2024 of $1,954 (year ended November 30, 2023 – net realized loss of $118) 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, 2024	November 30, 2023
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**234**	**1,542**	**1,776**	3,368
Accounts receivable and contract assets	**13,809**	**10,113**	**23,922**	20,206
Accounts payable and accrued liabilities	**(2,082)**	**(7,901)**	**(9,983)**	(11,960)
Total bank debt	**(2,868)**	**-**	**(2,868)**	(3,494)
Consolidated statements of financial position exposure, excluding financial derivatives	**9,093**	**3,754**	**12,847**	8,120
Reporting date CAD:USD exchange rate			**1.4010**	1.3582

	Years ended			
			November 30, 2024	November 30, 2023
(In thousands of U.S. dollars)	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Net sales	**55,444**	**58,544**	**113,988**	95,202
Operating expenses	**(13,789)**	**(62,910)**	**(76,699)**	(60,636)
Net exposure	**41,655**	**(4,366)**	**37,289**	34,566

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, 2024 and November 30, 2023 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, 2024	November 30, 2023
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	**(91)**	**(38)**	**(129)**	(82)
Net sales and operating expenses (net exposure)	**(417)**	**44**	**(373)**	(346)
Net exposure	**(508)**	**6**	**(502)**	(428)

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

	November 30, 2024		November 30, 2023	
	RMB	**$**	RMB	$
Cash	**8,307**	**1,607**	3,470	660
Short-term deposit with a financial institution with maturity of less than 1 year	**-**	**-**	4,546	865
Balance sheet exposure	**8,307**	**1,607**	8,016	1,525

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the years ended November 30, 2024 would decrease by approximately $16 (November 30, 2023 – decrease by $15). 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, 2024, the Corporation recorded a bad debts expense recovery of $93 against trade receivables in selling, general and administrative expenses in the consolidated statements of earnings (2023 – bad debts recovery of $149). 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 Corporation'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.

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, 2024 **$**	November 30, 2023 $
Trade receivables, net	**32,752**	27,982
Other receivables	**919**	697
Total accounts receivables	**33,671**	28,679

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

	November 30, 2024 **$**	November 30, 2023 $
By geographical area:		
Canada	**548**	1,645
United States	**26,340**	20,892
Asia	**4,971**	3,725
Europe	**1,428**	1,882
Other Americas	**24**	300
Trade receivables	**33,311**	28,444
Expected credit losses ("ECL")	**(559)**	(462)
Trade receivables, net of ECL	**32,752**	27,982
Aging by due dates:		
Current	**30,905**	24,502
Past due 31 to 120 days	**2,122**	3,876
Past due over 121 days	**284**	66
Trade receivables	**33,311**	28,444
ECL	**(559)**	(462)
Trade receivables, net of ECL	**32,752**	27,982

The movements in the ECL are as follows:

	November 30, 2024 $	November 30, 2023 $
Balance, beginning of the year	**462**	296
Provision expensed during the year	**183**	178
Acquired through business combinations (Note 5)	**-**	178
Provision written off/released during the year	**(92)**	(191)
Foreign exchange impact and other	**6**	1
Balance, end of the year	**559**	462

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, 2024 and November 30, 2023:

					November 30, 2024	November 30, 2023
	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**	Amount $
Bank debt[1] (committed facility) *(Note 10.1)*	**747**	**2,161**	**-**	**-**	**2,908**	4,556
Bank debt interest payments	**219**	**121**	**-**	**-**	**340**	1,059
Accounts payable and accrued liabilities, and provisions	**24,339**	**-**	**-**	**-**	**24,339**	25,037
Contract liabilities	**1,021**	**-**	**-**	**-**	**1,021**	1,841
Income tax payable	**-**	**-**	**-**	**-**	**0**	1,103
Lease liabilities *(Note 9.2)*	**3,847**	**3,969**	**6,758**	**48**	**14,622**	14,714
Operating leases	**-**	**-**	**-**	**-**	**0**	44
Government loans *(Note 10.2)*	**937**	**1,536**	**4,608**	**468**	**7,549**	5,695
Government loans interest payments *(Note 10.2)*	**-**	**39**	**53**	**-**	**92**	92
Contingent consideration	**1,471**	**-**	**-**	**-**	**1,471**	2,232
	32,581	**7,826**	**11,419**	**516**	**52,342**	56,373

1. Bank debt as at November 30, 2024 is offset by $39 for deferred financing charge (2023 - $104).

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2024 and 2023, except as disclosed in *Note 12.2* and *Note 18.2*.

18.2 Compensation of directors and key management personnel

Key management includes members of the Board of Directors of the Corporation and executive officers, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Corporation. The compensation expense for key management for services is as follows:

	Years ended	
	November 30, 2024 $	November 30, 2023 $
Short-term remuneration benefits	**3,213**	2,359
Stock-based payment benefits	**784**	445
	3,997	2,804

As at November 30, 2024, $961 is payable to the directors and key management personnel (2023 – $502).

The employment agreements of certain key management personnel provide for certain payments and/or benefits in the event of termination of their employment in particular scenarios.

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, 2024, wages, salaries and related benefits were $60,154 (2023 – $55,982).

19.1 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.

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, 2024			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Gross segment sales	**117,982**	**48,205**	**-**	**166,187**
Inter-segment sales	**-**	**-**	**(4,091)**	**(4,091)**
Net sales	**117,982**	**48,205**	**(4,091)**	**162,096**
Cost of sales and selling, general and administrative expenses	**91,323**	**38,193**	**643**	**130,159**
Research and development costs	**5,706**	**1,338**	**-**	**7,044**
Recovery of investment tax credits	**(643)**	**(200)**	**100**	**(743)**
Depreciation of plant and equipment	**4,664**	**574**	**118**	**5,356**
Depreciation of right-of-use assets	**2,164**	**708**	**57**	**2,929**
Amortization of intangible assets	**195**	**-**	**-**	**195**
Foreign exchange (gain) loss	**(122)**	**123**	**(228)**	**(227)**
Earnings (loss) before interest and income taxes	**14,695**	**7,469**	**(4,781)**	**17,383**
Interest expense, net	**342**	**40**	**363**	**745**
Accretion on lease liabilities	**1,177**	**284**	**4**	**1,465**
Income tax expense	**-**	**-**	**4,093**	**4,093**
Net earnings (loss)	**13,176**	**7,145**	**(9,241)**	**11,080**
Other operating segments disclosures:				
Additions to plant and equipment	**6,132**	**1,009**	**107**	**7,248**

	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

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

	As at November 30, 2024			
	Circuits	**Aerospace**	**Corporate office**	**Total**
	$	**$**	**$**	**$**
Total segment assets	**94,804**	**35,330**	**4,844**	**134,978**
Intangible and other assets	**10,839**	**123**	**-**	**10,962**
Total segment liabilities	**41,194**	**12,112**	**8,835**	**62,141**

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

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

	Years ended			
	November 30, 2024	**%**	November 30, 2023	%
Canada	**8,753**	**5.4**	8,973	6.6
United States	**126,892**	**78.3**	105,918	78.3
Asia	**18,699**	**11.5**	11,737	8.7
Europe	**6,663**	**4.1**	7,180	5.3
Other	**1,089**	**0.7**	1,392	1.1
Total	**162,096**	**100.0**	135,200	100.0

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

	As at November 30, 2024			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible assets, goodwill and other assets	**120**	**10,839**	**3**	**10,962**
Plant and equipment	**7,736**	**9,451**	**968**	**18,155**
Right-of-use assets	**4,770**	**17,610**	**309**	**22,689**

	As at November 30, 2023			
	Canada	United States	Asia	Total
	$	$	$	$
Intangible 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

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

	Years ended	
	November 30, 2024	November 30, 2023
	$	$
Sale of goods	**159,905**	133,863
Services	**2,191**	1,337
	162,096	135,200

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

	Years ended	
	November 30, 2024	November 30, 2023
	$	$
At a point of time	**159,905**	133,863
Over time	**2,191**	1,337
	162,096	135,200

The following tables detail net sales of the Corporation's two largest customers and customers amounting to 10 per cent or more of the Corporation's revenue during each year:

For the year ended November 30, 2024	**Locations**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	**United States, Europe, Canada**	**21,474**	**5,820**	**27,294**	**16.8**
Customer B	**United States, Canada, Asia**	**8,768**	**15,066**	**23,834**	**14.7**
Customer C	**Asia, United States, Canada, Europe**	**16,834**	**1,182**	**18,016**	**11.1**

For the year ended November 30, 2023	Locations	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 C	United States, Asia, Canada, Europe	14,103	1,057	15,160	11.2
Customer B	United States, Canada, Asia	4,413	10,582	14,995	11.1

22. SUBSEQUENT EVENTS

22.1 Acquisition

On December 19, 2024, the Corporation acquired all of the outstanding shares of FLYHT Aerospace Solutions Ltd. ("FLYHT"), a provider of technology and solutions to the aviation industry, for a total purchase consideration of $13,760.

The total purchase consideration consists of:

(i) $9,454 paid in shares, consists of 1,298,588 of the Corporations' shares at the closing date price of $7.28 per share; and

(ii) $4,306 paid in cash.

In connection with the FLYHT acquisition, during the year ended November 30, 2024, the Corporation recognized $317 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 initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue due to the short time that has lapsed from the acquisition date.

22.2 Credit facility

On December 11, 2024, the Corporation completed a new three-year credit facility with another major financial institution, which includes the following features:

- Committed revolving operating loan facility of US$10,000.
- Committed revolving term credit facility of US$10,000.
- Accordion facility of US$15,000 in support of acquisitions.
- Ancillary credit products for foreign currency hedging, precious metals hedging and credit cards.