FIRAN TECHNOLOGY GROUP CORPORATION

First Quarter Report
For the period ended
March 4, 2022

April 12, 2022

April 12, 2022

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

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

This Management's Discussion and Analysis ("MD&A") for the three months ended March 4, 2022 (first quarter of fiscal 2022 or Q1 2022) is as of April 12, 2022 and provides information on the operating activities, performance and financial position of Firan Technology Group Corporation ("FTG" or the "Corporation") and should be read in conjunction with the interim condensed consolidated financial statements of the Corporation for the first quarter of fiscal 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Corporation assumes that the reader of this MD&A has access to, and has read the audited consolidated financial statements prepared in accordance with IFRS and MD&A of the Corporation for the year ended November 30, 2021 (Fiscal 2021) and, accordingly, the purpose of this document is to provide a first quarter update to the information contained in the fiscal 2021 MD&A. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 9, 2022, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

CORE BUSINESS AND STRATEGY

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

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

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the Global marketplace. Currently, FTG Circuits has manufacturing operations in Canada (Toronto, Ontario), USA (Chatsworth, California, and Fredericksburg, Virginia), as well as a joint venture and sourcing arrangements with operating facilities in China. FTG Circuits' customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada, Chatsworth, California, USA and Tianjin, China. These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft.

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, and becoming a more strategic supplier to many of its customers. FTG has become a truly global company with revenues coming from all geographic regions of the world and our current strategy is to increase the utilization and operational leverage of those facilities and realize the significant margin expansion opportunities as fixed costs are already in place. A key element of FTG's strategy has been its continued focus on Operational Excellence. This has led to improved performance across the Corporation. By weaving *Operational Excellence* into its day-to-day operations, FTG continues to create a corporate culture where quality products, on time delivery and customer service are the paramount forces driving the Corporation forward.

FTG continues to increase its technical skills in both segments to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

The FTG management team is focused on and committed to running a healthy business, offering stability to its customers, suppliers and employees while delivering long-term value to all of its stakeholders.

FTG continues to strive to balance its sales between commercial aerospace and defence customers. This should help maintain a stable revenue stream as each market goes through its normal cycles.

FTG remains clearly positioned as an aerospace and defence electronics company. FTG is now engaged with most of the top aerospace and defence prime contractors in North America and is making significant progress penetrating markets beyond this continent. FTG's focus on this market is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

Going forward, the Corporation's focus and initiatives will continue to revolve around controlling the Corporation's infrastructure, material and labour costs while increasing the utilization of our facilities realizing significant operational leverage and margin expansion. Simultaneously, management continues to look for accretive business combinations that can add to FTG's strengths and offerings.

RESULTS OF OPERATIONS FOR THE FIRST QUARTER OF FISCAL 2022

		First Quarter
(in thousands of dollars except per share amounts)	**2022**	2021
	$	$
Sales	**20,461**	18,970
Gross margin	**4,242**	3,662
Net loss attributable to equity holders of FTG	**(733)**	(400)
Number of common and preferred shares, in aggregate	**24,491**	24,491
Loss per share:		
Basic	**(0.03)**	(0.02)
Diluted	**(0.03)**	(0.02)
EBITDA[1]	**1,329**	1,916
Total assets	**76,649**	81,492
Net cash position[2]	**16,202**	13,430
Free cash flow[3]	**(1,624)**	(428)

[1] Earnings before interest, tax, depreciation and amortization ("EBITDA") is a non-IFRS measure. The Corporation calculates EBITDA as net earnings attributable to equity holders of FTG before interest expenses (net), income tax expenses, depreciation, amortization and stock based compensation.
[2] Net cash is defined as cash and cash equivalents less bank debt.
[3] Free cash flow ("FCF") is a non-IFRS financial measure, which the Corporation defines as net cash flow from operating and investing activities excluding acquisitions, less lease liability payments.

Sales

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Circuits	**14,181**	11,985	2,196	18.3
Aerospace	**6,280**	6,985	(705)	(10.1)
Net sales	**20,461**	18,970	1,491	7.9

Sales in Q1 2022 increased by approximately $1.5 million or 7.9% from Q1 2021, primarily due to the partial recovery of commercial aerospace markets. Further variance discussion follows:

- Within the Circuits segment, sales in Q1 2022 increased by $2.2 million or 18.3% relative to Q1 2021, with increases recorded in each operating site. Both the Circuits Toronto site and our Circuits JV in China have a high concentration of commercial aerospace customers. Sales also increased at the Circuits Chatsworth site, which has benefitted from operational improvements and equipment investments. Shipments from the Circuits segment continued to be negatively impacted by Covid-related employee absences in all locations and a winter storm impacting the Circuits Fredericksburg site.

- Sales in the Aerospace segment were down $0.7 million or 10.1% from Q1 2021. Excluding the Simulator product line, sales in the Aerospace segment increased by $1.7 million in Q1 2022 relative to Q1 2021, with increased shipments to commercial aerospace customers, primarily from the Aerospace Toronto and Aerospace Tianjin sites. The Aerospace Chatsworth site recorded increased sales, primarily to military customers. Shipments from the Aerospace segment continued to be negatively impacted by Covid-related employee absences in all locations and production constraints imposed in Tianjin during the Winter Olympics.

- Shipments to the Simulator market, included within the Aerospace segment, were approximately $0.2 million in Q1 2022 as compared to $2.6 million in Q1 2021. This equates to a negative variance of $2.4M and is the result of lower current backlog for this product line. FTG received new orders for Simulator products at the close of Q1 2022.

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

						First Quarter
	2022		2021		Change	
	$	**%**	$	%	$	%
Canada	**1,813**	**8.9**	2,392	12.6	(579)	(24.2)
United States	**15,554**	**76.0**	14,605	77	949	6.5
Asia	**1,593**	**7.8**	1,181	6.2	412	34.9
Europe	**1,200**	**5.9**	599	3.2	601	100.3
Other Americas	**301**	**1.4**	193	1	108	56.0
Total	**20,461**	**100**	18,970	100	1,491	7.9

The increase in sales in Q1 2022 relative to Q1 2021 was spread across all geographic locations, with the exception of Canada. Sales to customers in Asia, Europe and Other Americas increased by 35%, 100% and 56%, respectively, which is attributable to the partial recovery of commercial aerospace market. Sales in Q1 2021 included shipments to a Simulator customer located in Canada.

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

	First Quarter	
	2022	2021
	%	%
Largest customer	**26.1**	22.3
Second largest customer	**10.8**	9.9
Third to fifth largest customers	**21.4**	19.9
Largest five customers	**58.3**	52.1

Gross Margin

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Gross profit	**4,242**	3,662	580	15.8
% of net sales	**20.7%**	19.3%		

The increase in gross margin dollars and the gross margin rate for the first quarter of 2022 is the result of increased operating leverage on higher sales volumes, operational improvements and reduced provisions for obsolete inventory. Government assistance in Q1 2022 included $256 from the Aviation Manufacturing Jobs Protection (AMJP) program in the U.S., whereas Q1 2021 included $886 of Canada Emergency Wage Subsidy (CEWS) program. Excluding the impact of government assistance, gross profit increased by $1,210 on incremental sales of $1,491.

Selling, General and Administrative Expenses

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Selling, general and administrative expenses	**3,018**	2,691	327	12.2
% of net sales	**14.8%**	14.2%		

The increase in selling, general and administrative expenses during the first quarter of 2022 as compared to the prior year is the result of business travel beginning to normalize following vaccine rollouts and the inclusion of $114 of Canada Emergency Wage Subsidy in the first quarter of 2021.

Research and Development

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Research and development costs	**1,392**	1,382	10	0.7
Recovery of investment tax credits	**(177)**	(127)	(50)	39.4

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

The Corporation records the tax benefit of investment tax credits (“ITCs”) when there is reasonable assurance that such credits will be realized. During the first quarter of fiscal 2021, ITCs were earned from qualifying research and development expenditures.

The Corporation has, as at March 4, 2022, $248 (November 30, 2021 – $327) of investment tax credits available to be applied against future income taxes otherwise payable in Canada.

Depreciation and Amortization

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Depreciation of plant and equipment	**1,185**	1,140	45	3.9
Depreciation of right-of-use assets	**367**	383	(16)	(4.2)
Amortization/impairment of intangible assets	**31**	89	(58)	(65.2)
Amortization, other	**6**	12	(6)	(50.0)
Total	**1,589**	1,624	(35)	(2.2)

The increase in depreciation of plant and equipment during the first quarter of fiscal 2022 is mainly due to the timing of capital expenditures being put into service.

Fluctuations in depreciation of right-of-use assets are primarily due to currency translation as well as exit of the Aerospace facility in Ft Worth, Texas.

The decrease in amortization of intangible assets is due to a lower level of intangible assets carried on the balance sheet in the first quarter of 2022.

Interest Expense

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Interest expenses on bank debt, net	**9**	39	(30)	(77.1)
Accretion on lease liabilities	**108**	126	(18)	(14.3)

The decrease in interest expense in Q1 2022 was mainly due to the decrease in bank debt as compared to last year.

Fluctuations in accretion on lease liabilities are primarily due to currency translation as well as termination of certain leases.

Forgiveness of debt

In May 2020, the Corporations' US subsidiaries closed on an unsecured bank debt guaranteed under the Paycheck Protection Program ("PPP") in the total amount of U.S. $2,369 or $3,309 ("PPP Loans") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of the U.S. Government.

In the first quarter of fiscal 2021, U.S. $1,032 or $1,336 of the PPP loans were fully forgiven. In the third quarter of fiscal 2021, the remaining U.S. $1,337 or $1,668 of the PPP loans were fully forgiven.

Foreign Exchange

The Canadian dollar spot rate, as compared to the US dollar has (appreciated) depreciated as follows during the first quarter of 2022 as compared to the first quarter of 2021:

First Quarter	2022				2021			
	November 30, 2021	**March 4, 2022**	**Change**		November 30, 2020	March 5, 2021	Change	
	$	**$**	**$**	**%**	$	$	$	%
CAD/USD	**1.2792**	**1.2750**	**0.00**	**0.3**	1.2965	1.2668	0.03	2.3

The Corporation has recorded foreign exchange loss as follows:

	First Quarter		
	2022	2021	Change
	$	$	$
Foreign exchange loss	**169**	618	(449)

The foreign exchange loss for the first quarter of fiscal 2022 was mainly on the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets. These foreign exchange fluctuations are due to the variance in US dollar balances held by the Corporation, the changes in average and quarter-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place.

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

	First Quarter	
	2022	2021
	$	$
Sales before adjustment for net realized gain (loss) on f/x forward contracts designed as cash flow hedges	**20,228**	18,639
Add (deduct): adjustment for net realized gain (loss) on hedged f/x forward contracts designed as cash flow hedges	**233**	331
Net sales	**20,461**	18,970
Cost of sales	**14,734**	13,865
Depreciation of plant and equipment and right-of-use assets	**1,485**	1,443
Total cost of sales	**16,219**	15,308
Gross margin	**4,242**	3,662
Gross margin %	**20.7%**	19.3%
Gross margin before f/x gain (loss)	**4,009**	3,331
Gross margin % before f/x gain (loss)	**19.8%**	17.9%

Income Tax Expense

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Current income tax expense	**296**	461	(165)	(35.8)
Deferred income tax expense	**36**	26	10	38.5

Income tax expenses recorded during the first quarter of 2022 included current income tax on earnings in the Canadian entity, state and local taxes in the Unites States and China and certain withholding taxes.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The Corporation's consolidated effective tax rate differs from the statutory rates mainly as a result of tax benefits not recognized.

RECONCILIATION OF NET INCOME TO EBITDA

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

	First Quarter	
	2022	2021
	$	$
Net earnings (loss) to equity holders of FTG	**(733)**	(400)
Add back:		
Interest expense	**117**	165
Income tax expense	**332**	487
Depreciation, amortization and impairment of intangible assets	**1,589**	1,624
Stock based compensation	**24**	40
EBITDA	**1,329**	1,916
% of net sales	**6.5%**	10.1%

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

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

	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	**Q1-22**
Circuit Segment Sales	$19,599	$15,690	$14,078	$11,985	$12,984	$13,103	$14,316	**$14,181**
Aerospace Segment Sales	7,223	8,674	12,633	6,985	7,346	6,634	6,012	**6,280**
Total Net Sales	26,822	24,364	26,711	18,970	20,330	19,738	20,328	**20,461**
Earnings (Loss) before income taxes	3,300	1,388	2,118	60	578	1,451	489	**(399)**
Net Earnings (Loss) Attributable to Equity holders of FTG	2,034	645	1,308	(400)	10	774	(128)	**(733)**
Earnings (Loss) per share: Basic[1]	$0.08	$0.03	$0.06	($0.02)	$0.00	$0.03	$0.00	**($0.03)**
Diluted	$0.08	$0.03	$0.06	($0.02)	$0.00	$0.03	$0.00	**($0.03)**
Quarterly average CDN$ US$ exchange rates	$1.3996	$1.3449	$1.3176	$1.2740	$1.2390	$1.2465	$1.2561	**$1.2709**

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

LIQUIDITY AND CAPITAL RESOURCES

	March 4, 2022 $	November 30, 2021 $
Total liquidity (cash, accounts receivable, contract assets and inventory)	**50,726**	53,981
Unused credit facilities[1]	**23,433**	22,540
Working capital	**38,766**	39,973

[1] U.S. $18.4 million (2021 – U.S. $18.2 million)

	Q1 2022 $	Q4 2021 $
Accounts receivables days outstanding	**66**	72
Inventory turns	**3.7**	3.4
Accounts payable days outstanding	**80**	86

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

The Corporation was in compliance with all of its financial loan covenants as at March 4, 2022.

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

The following table outlines the contractual obligations of the Corporation as at March 4, 2022.

	Less than 1 year $	**1 to 2 years** $	**2 to 5 years** $	**More than 5 years** $	**Amount** $
Bank debt (committed facility)	964	716	388	-	**2,068**
Bank debt interest payments	70	32	8	-	**110**
Accounts payable and accrued liabilities, and provisions	14,498	-	-	-	**14,498**
Contract liabilities	156	-	-	-	**156**
Lease liabilities (undiscounted contractual cash flows)	1,486	1,237	3,650	6,630	**13,003**
Operating leases	122	71	24	-	**217**
	17,296	**2,056**	**4,070**	**6,630**	**30,051**

The Corporation's lease for the Aerospace Chatsworth facility (the "Facility") expires on June 30, 2022 and the owner has advised the Corporation of their intention to sell the Facility. To secure the Facility for continued occupancy, the Corporation entered into a purchase and sale agreement (the "Agreement") on March 23, 2022 to purchase the Facility for US$6,700. The Agreement requires an escrow deposit of US$100 on signing and a second escrow deposit of US$100, provided certain conditions are met. Escrow deposits are fully refundable to the Corporation if certain contingencies, including satisfactory financing, are not waived by the Corporation within 60 days from the date of the Agreement (the "Closing Date").

The Corporation plans to assign all rights and obligations of the Agreement to a third party and concurrently enter into a mutually acceptable Facility lease agreement with the third party prior to the Closing Date.

In the case that the Agreement has not been assigned to a third party prior to the Closing Date, the Corporation will complete the purchase of the Facility using a combination of cash, available credit lines or other financing.

The Corporation does not have any off consolidated statements of financial position arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges. The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on March 4, 2022. The table below summarizes the unrealized gains (losses) included in the fair values:

	March 4, 2022 $	November 30, 2021 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**1,542**	1,131
Gold forward contracts	**185**	(14)
Interest rate swaps	**(28)**	(58)
Net unrealized gains of derivative instruments	**1,699**	1,059
Tax effect	**(160)**	(265)
Included in accumulated other comprehensive income	**1,539**	794

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized gain (loss) are included in other comprehensive loss and accounts payable and accrued liabilities as at March 4, 2022 and November 30, 2021. The table below summarizes the Corporation's interest rate swaps:

				Unrealized loss	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**March 4, 2022**	November 30, 2021
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	LIBOR rate plus 215 basis points	3.35%	**($1)**	($7)
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	LIBOR rate plus 215 basis points	4.96%	**($15)**	($27)
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	LIBOR rate plus 215 basis points	5.08%	**($13)**	($24)
				($28)	($58)

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

	First Quarter	
	2022	2021
	$	$
Net capital expenditure	**2,109**	378

Net capital expenditures for the first quarter of fiscal 2022 included new equipment investments primarily for the Circuits Segment. Equipment investments are driven by in-sourcing of certain manufacturing and test processes, productivity improvements and replacement of aged equipment.

CASH FLOW

	First Quarter			
	2022	2021	Change	Change
	$	$	$	%
Operating activities	**909**	400	509	127
Investing activities	**(2,106)**	(376)	(1,730)	460
Financing activities	**(658)**	(684)	26	(4)
Free cash flow	**(1,624)**	(428)	(1,196)	279

Cash flow from operations in the first quarter of 2022 increased from the same period despite lower levels of recorded net earnings, as Q1 2021 included a positive non-cash earnings adjustment of $1.3M related to the PPP loans forgiven, partially offset by changes in non-cash working capital.

Investing activities in the first quarter of fiscal 2022 primarily included $2,109 of cash used for capital expenditures (Q1 2021 – $378).

Cash used by financing activities in the first quarter of fiscal 2022 was similar in nature and magnitude compared to the same period in 2021.

Free cash flow in the first quarter of 2022 is approximately $1.2 million lower than Q1 2021, as increased cash from operating activities is offset by increased levels of investment in capital equipment.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the first quarter of fiscal 2022 and 2021.

FINANCIAL RISK MANAGEMENT

Disclosures regarding the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk and how the Corporation manages those risks can be found under the heading "Financial Instruments" in *Note 6* of the consolidated financial statements as at March 4, 2022 and are designed to meet the requirements set out by the International Accounting Standards Board (IASB) in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which authorized is a series of convertible preference shares, Series 1 (the "Preferred Shares"). The outstanding common shares at the year ended March 4, 2022 were 24,491,201 (24,491,201 as at November 30, 2021).

During the first quarter of 2022, the Corporation granted nil performance share units ("PSU's") (2021 – nil). PSU's vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at March 4, 2022, nil (2021 – nil) of the 167,958 outstanding PSU's (2021 – 182,333) had vested.

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 9, 2022 which is available on SEDAR at www.sedar.com.

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

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

ETHICAL BUSINESS CONDUCT

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

OUTLOOK

The world economy and the outlook for the commercial Aerospace industry is recovering from the COVID-19 pandemic as vaccinations ramp up globally and as the world learns to coexist with the COVID-19 virus, including its existing variants. Looking forward, widespread vaccines are expected to continue to reduce the number of severe cases of COVID-19 and governments are reducing restrictions on air travel. This could be offset by the spread of new variants of the virus that are more easily transmissible that might or might not be controlled by existing vaccines.

On a global scale, the airline industry was dramatically weakened in 2020 with significant drops in passenger travel. The full recovery of such travel, particularly international travel, is not expected to take place in the short-run.

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

In commercial Air Transport, the pandemic hurt demand. Airbus reduced shipments by 35% in 2020 compared to 2019. In 2021, Airbus shipments rose 8% compared to 2020 but remained 29% below 2019 levels. Their order backlog remains high at over 7,000 aircraft and they are forecasting production increases in 2022. Boeing has also been hurt by the pandemic but also by their challenges with the B737 aircraft. Although the B737 is now flying again in the U.S., Canada and Europe, there are many aircraft already built that need to be delivered before significant production will resume. Meaningful production of B737 aircraft will resume in 2022. At the airline level, domestic travel is recovering faster than international travel and this is driving an expected ramp up of single aisle aircraft demand ahead of long-haul, twin aisle aircraft.

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

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

The defense market has not been significantly impacted by the COVID-19 pandemic as of the date of this MD&A.

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

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992. In May 2013, COSO released an updated version of the 1992 internal control integrated framework. The Company is in the process adopting the new framework.

Internal control over financial reporting

Management, including the CEO and CFO, does not expect that the Corporation's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

During the three months ended March 4, 2022, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; compliance with environmental laws; possibility of damage to manufacturing facilities as a result of unforeseeable events, such as natural disasters or fires; fluctuations in operating results; possibility of intellectual property infringement claims; demand for the products of FTG's customers; ability to obtain continued debt and equity financing on acceptable terms; ability of a significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Corporation's common shares and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; and government regulation and legislation and FTG's ability to successfully anticipate and manage the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of FTG's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, FTG undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to gross margin which represents net sales less cost of sales and expenses. Not included in the calculation of gross margin are selling, administrative and general expenses, research and development costs and recoveries, foreign exchange, gains or losses on the sale of assets, interest and income taxes. Gross margin is not generally accepted earnings measures and should not be considered as an alternative to net earnings or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Corporation's gross margin may not be directly comparable with similarly titled measures used by other companies. Management believes the gross margin measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of April 12, 2022 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 9, 2022 which is available on SEDAR at www.sedar.com.

FIRAN TECHNOLOGY GROUP CORPORATION

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

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

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

Interim Condensed Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)		**March 4, 2022**		November 30, 2021
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**18,210**	$	20,196
Accounts receivable		**14,352**		16,014
Contract assets		**848**		818
Inventories		**17,316**		16,953
Income tax recoverable		**96**		1
Prepaid expenses and other		**3,062**		3,162
		53,884		57,144
Non-current assets				
Plant and equipment, net		**12,028**		11,078
Right-of-use assets		**9,715**		10,098
Investment tax credits recoverable		**248**		327
Intangible and other assets, net		**774**		805
Total assets	**$**	**76,649**	$	79,452
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**11,996**	$	13,803
Provisions		**610**		545
Contract liabilities		**156**		335
Current portion of bank debt		**936**		935
Current portion of lease liabilities		**1,420**		1,553
		15,118		17,171
Non-current liabilities				
Bank debt		**1,072**		1,327
Lease liabilities		**8,914**		9,123
Deferred tax payable		**824**		789
Total liabilities		**25,928**		28,410
Equity				
Retained earnings	**$**	**18,658**	$	19,391
Accumulated other comprehensive income		**891**		478
		19,549		19,869
Share capital				
Common Shares *(Note 3.1)*		**21,881**		21,881
Contributed surplus		**8,345**		8,352
Total equity attributable to FTG's shareholders		**49,775**		50,102
Non-controlling interest		**946**		940
Total equity		**50,721**		51,042
Total liabilities and equity	**$**	**76,649**	$	79,452

See accompanying notes.

Interim Condensed Consolidated Statements of Loss

	Three months ended	
(Unaudited) (in thousands of Canadian dollars, except per share amounts)	**March 4, 2022**	March 5, 2021
Sales	**$ 20,461**	$ 18,970
Cost of sales		
Cost of sales	**14,734**	13,865
Depreciation of plant and equipment	**1,128**	1,077
Depreciation of right-of-use assets	**357**	366
Total cost of sales	**16,219**	15,308
Gross margin	**4,242**	3,662
Expenses		
Selling, general and administrative	**3,018**	2,691
Research and development costs	**1,392**	1,382
Recovery of investment tax credits	**(177)**	(127)
Depreciation of plant and equipment	**57**	63
Depreciation of right-of-use assets	**10**	17
Amortization of intangible assets	**31**	89
Interest expense on bank debt, net	**9**	39
Accretion on lease liabilities	**108**	126
Stock based compensation	**24**	40
Foreign exchange loss *(Note 6.2)*	**169**	618
Forgiveness of debt *(Note 6.2)*	**-**	(1,336)
Total expenses	**4,641**	3,602
Earnings (loss) before income taxes	**(399)**	60
Current income tax expense	**296**	461
Deferred income tax expense	**36**	26
Total income tax expense	**332**	487
Net loss	**$ (731)**	$ (427)
Attributable to:		
Non-controlling interest	**$ 2**	$ (27)
Equity holders of FTG	**$ (733)**	$ (400)
Loss per share, attributable to the equity holders of FTG		
Basic *(Note 3.2)*	**$ (0.03)**	$ (0.02)
Diluted *(Note 3.2)*	**$ (0.03)**	$ (0.02)

See accompanying notes.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited) (in thousands of Canadian dollars)	Three months ended **March 4, 2022**	 March 5, 2021
Net loss	**$ (731)**	$ (427)
Other comprehensive earnings (loss) to be reclassified to net earnings (loss) in subsequent periods:		
Change in foreign currency translation adjustments	**(60)**	(428)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 6.3)*	**637**	1,060
Deferred income taxes on change in valuation of derivative financial instruments designated as cash flow	**(160)**	(265)
	417	367
Total comprehensive loss	**$ (314)**	$ (60)
Attributable to:		
Equity holders of FTG	**$ (320)**	$ (22)
Non-controlling interest	**$ 6**	$ (38)

See accompanying notes.

Interim Condensed Consolidated Statements of Changes in Equity

Three months ended March 4, 2022	**Attributed to the equity holders of FTG**						
(Unaudited) (in thousands of Canadian dollars)	**Common shares**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive income**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2021	**$ 21,881**	**$ 19,391**	**$ 8,352**	**$ 478**	**$ 50,102**	**$ 940**	**$ 51,042**
Net income (loss)	**-**	**(733)**	**-**	**-**	**(733)**	**2**	**(731)**
Stock-based compensation	**-**	**-**	**(7)**	**-**	**(7)**	**-**	**(7)**
Other comprehensive income	**-**	**-**	**-**	**413**	**413**	**4**	**417**
Balance, March 4, 2022	**$ 21,881**	**$ 18,658**	**$ 8,345**	**$ 891**	**$ 49,775**	**$ 946**	**$ 50,721**

Three months ended March 5, 2021	Attributed to the equity holders of FTG						
(Unaudited) (in thousands of Canadian dollars)	Common shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity
Balance, November 30, 2020	$ 21,881	$ 19,135	$ 8,303	$ 958	$ 50,277	$ 1,011	$ 51,288
Net loss	-	(400)	-	-	(400)	(27)	(427)
Stock-based compensation	-	-	40	-	40	-	40
Other comprehensive income (loss)	-	-	-	378	378	(11)	367
Balance, March 5, 2021	$ 21,881	$ 18,735	$ 8,343	$ 1,336	$ 50,295	$ 973	$ 51,268

See accompanying notes.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)	Three months ended **March 4, 2022**	 March 5, 2021
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net loss	**$ (731)**	$ (427)
Items not affecting cash and cash equivalents:		
Stock-based compensation	**24**	40
Loss on disposal of plant and equipment	**-**	1
Effect of exchange rates on U.S. dollar bank debt	**(30)**	(189)
Depreciation of plant and equipment	**1,185**	1,140
Depreciation of right-of-use assets	**367**	383
Amortization of intangible assets	**31**	89
Amortization, other	**6**	12
Investment tax credits/deferred income taxes	**236**	231
Accretion on lease liabilities	**108**	126
Forgiveness of debt *(Note 6.2)*	**-**	(1,336)
Net change in non-cash operating working capital *(Note 5)*	**(283)**	330
	913	400
Investing activities		
Additions to plant and equipment	**(2,109)**	(378)
Recovery of contract and other costs	**3**	10
Additions to deferred financing costs	**-**	(8)
	(2,106)	(376)
Net cash flow from operating and investing activities	**(1,193)**	24
Financing activities		
Repayments of bank debt	**(231)**	(232)
Lease liability payments	**(427)**	(452)
	(658)	(684)
Effects of foreign exchange rate changes on cash flow	**(135)**	(299)
Net decrease in cash flow	**(1,986)**	(959)
Cash and cash equivalents, beginning of the period	**20,196**	19,032
Cash and cash equivalents, end of period	**$ 18,210**	$ 18,073
Disclosure of cash payments		
Payment for interest	**$ 25**	$ 42
Payments for income taxes	**$ 248**	$ 197

See accompanying notes.

1. NATURE OF OPERATIONS

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

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

The interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 4, 2022 comprise FTG, its subsidiaries and its joint venture.

These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on April 12, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Corporation for the year ended November 30, 2021, which are available on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the audited consolidated financial statements for the year ended November 30, 2021.

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

2.1 Use of estimates, judgements and assumptions

The preparation of interim condensed consolidated financial statements requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. It also requires management to exercise judgement in applying the Corporation's accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation.

2.2 COVID-19

The novel coronavirus ("COVID-19") pandemic and related public health measures continue to negatively affect all of the Corporation's operations to some extent and, in particular, has caused volatility in demand for the Corporation's products and services targeted to the commercial aerospace market. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, the Corporation's business continuity plan and other mitigating measures.

3. SHARE CAPITAL

3.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, issuable in series, with the attributes of each series to be fixed by the Board of Directors. Each Common and Preferred Share carries the right to one vote. The outstanding common shares as at March 4, 2022 were 24,491,201 (November 30, 2021 – 24,491,201).

During the three months ended March 4, 2022, the Corporation granted nil performance share units ("PSU's") (2021 – nil). PSU's vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSU's is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury or by purchasing from the open market.

As at March 4, 2022, nil of the 167,958 (November 30, 2021 – nil of the 182,233) outstanding PSU's had vested or were exercisable.

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

3.2 Earnings per share

	Three months ended	
	March 4, 2022	March 5, 2021
Numerator		
Net loss	**$ (731)**	$ (427)
Net earnings (loss) attributable to non-controlling interests	**2**	(27)
Net loss attributable to equity holders of FTG	**$ (733)**	$ (400)
Numerator for basic earnings per share - net loss applicable to Common Shares	**$ (733)**	$ (400)
Numerator for diluted earnings per share - net loss applicable to Common Shares	**$ (733)**	$ (400)
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**24,491,201**	24,491,201
Effect of dilutive securities		
Weighted average number of PSU's	**-**	-
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,491,201**	24,491,201
Loss per share data attributable to the equity holders of FTG		
Basic loss per share	**$ (0.03)**	$ (0.02)
Diluted loss per share	**$ (0.03)**	$ (0.02)

The Corporation has 167,958 PSU's outstanding as at March 4, 2022 (March 5, 2021 – 189,583). The PSU's were not included in the calculation of diluted earnings per share for the three ended March 4, 2022 and March 5, 2021 as the Corporation had net loss.

3.3 Management of capital

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

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

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

The Corporation's managed capital is as follows:

	March 4, 2022	November 30, 2021
	$	$
Total equity attributable to FTG's shareholders	**49,775**	50,102
Bank debt	**2,008**	2,262
Managed capital	**51,783**	52,364

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

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

4. INCOME TAX EXPENSE

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

5. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Three months ended	
	March 4, 2022	March 5, 2021
	$	$
Accounts receivable, contract assets	**1,632**	3,629
Inventories	**(363)**	469
Prepaid expenses	**481**	(915)
Contract liabilities	**(179)**	87
Accounts payable and accrued liabilities, and provisions	**(1,760)**	(3,148)
Income tax payable	**(95)**	208
	(283)	330

6. FINANCIAL INSTRUMENTS

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

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at March 4, 2022 and November 30, 2021.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at March 4, 2022 and November 30, 2021.

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 March 4, 2022 and November 30, 2021.

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:

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

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

6.2 Bank debt

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

6.3 Derivative instruments

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts and interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on March 4, 2022. The table below summarizes the unrealized gains (losses) included in the fair values:

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

	March 4, 2022 $	November 30, 2021 $
Unrealized gains (losses) of derivative instruments		
Foreign exchange forward contracts	**1,542**	1,131
Gold forward contracts	**185**	(14)
Interest rate swaps	**(28)**	(58)
Net unrealized gains of derivative instruments	**1,699**	1,059
Tax effect	**(425)**	(265)
Included in accumulated other comprehensive income	**1,539**	794

a) Foreign exchange forward contracts

Foreign exchange forward contracts are transacted with a financial institution to hedge part of a foreign currency denominated anticipated sale of products. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign exchange forward contracts, all of which have a maturity date of no more than thirty six months as at March 4, 2022 and November 30, 2021:

As at	**Currency sold**	**Currency bought**	**Notional value**	**Forward value at transaction date**	**Forward current value**	**Unrealized gain**
March 4, 2022	**USD**	**CAD**	**US$54,500**	**$71,051**	**$69,509**	**$1,542**
November 30, 2021	USD	CAD	US$53,850	$70,368	$69,237	$1,131

As at March 4, 2022 and November 30, 2021, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other. This net unrealized gain in other comprehensive income (loss) is expected to be realized through net earnings (loss) on the interim condensed consolidated statements of earnings (loss) over the next thirty six months when the sales are recorded.

b) Gold forward contracts

As at March 4, 2022, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 1,050 ounces of gold (November 30, 2021 – 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.35 per ounce (November 30, 2021 – $2.29) expiring quarterly from March 2022. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

As at	**Nature of contract**	**Quantity**	**Forward value at transaction date**	**Forward current value**	**Unrealized gain (loss)**
March 4, 2022	**Gold forward contract**	**1,050 ounces**	**$2,467**	**$2,652**	**$185**
November 30, 2021	Gold forward contracts	600 ounces	$1,376	$1,362	($14)

As at March 4, 2022 and November 30, 2021, the gold forward contracts are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss), prepaid expenses and other and accounts payable and accrued liabilities. This unrealized gain (loss) in other comprehensive loss is expected to be reclassified to the interim condensed consolidated statements of loss over the next six months when the cost of sales are recorded.

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

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 March 4, 2022 retained in other comprehensive income related to these contracts are expected to be recognized through net earnings on the interim condensed consolidated statement of loss in fiscals 2022, 2023, 2024 and 2025.

c) Interest rate swaps

The Corporation entered into interest rate swaps to hedge its term loans. The interest rate swaps have been designated as cash flow hedges and measured at fair value. The unrealized loss are included in other comprehensive income (loss) and accounts payable and accrued liabilities as at March 4, 2022 and November 30, 2021. The table below summarizes the Corporation's interest rate swaps:

				Unrealized loss	
Date	**Corresponding Loan description**	**Loan interest rate**	**Interest rate swap**	**March 4, 2022**	November 30, 2021
July 2016	7-year US$2,600 term loan, repayable in monthly principal payments of approximately US$31 plus interest	LIBOR rate plus 215 basis points	3.35%	**($1)**	($7)
February 2018	7-year US$1,500 term loan, repayable in monthly principal payments of approximately US$18 plus interest	LIBOR rate plus 215 basis points	4.96%	**($15)**	($27)
April 2018	7-year US$1,000 term loan, repayable in monthly principal payments of approximately US$12 plus interest	LIBOR rate plus 215 basis points	5.08%	**($13)**	($24)
				($28)	($58)

7. FINANCIAL RISKS

7.1 Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk (see *Note 6.3*).

7.2 Currency risk

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

During the three months ended March 4, 2022, net realized gain of $233 (2021 – $331), from settlements of foreign exchange forward contracts designated as cash flow hedges was included in sales in the interim condensed consolidated statements of loss.

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

			March 4, 2022	November 30, 2021
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**2,935**	**1,078**	**4,013**	5,148
Accounts receivable, contract assets	**5,179**	**3,858**	**9,037**	11,647
Accounts payable and accrued liabilities, contract liabilities and current portion of lease liabilities	**(2,594)**	**(3,430)**	**(6,024)**	(7,003)
Total bank borrowings	**(1,621)**	**-**	**(1,621)**	(1,820)
Balance sheet exposure, excluding financial derivatives	**3,899**	**1,506**	**5,405**	7,972
Reporting date CAD:USD exchange rate			**1.2750**	1.2792

	Three months ended			
			March 4, 2022	March 5, 2021
(In thousands of U.S. dollars)	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Net sales	**9,066**	**7,180**	**16,246**	14,086
Operating expenses	**(2,422)**	**(8,469)**	**(10,891)**	(9,449)
Net exposure	**6,644**	**(1,289)**	**5,355**	4,637

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the three months ended March 4, 2022 and March 5, 2021 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

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

	Three months ended			
			March 4, 2022	March 5, 2021
Source of net earnings/loss variability from changes in foreign exchange rates	**Canadian and other operations $**	**U.S. operations $**	**Total $**	Total $
Balance sheet exposure, excluding financial derivatives	**(39)**	**(15)**	**(54)**	(95)
Net sales and operating expenses (net exposure)	**(66)**	**13**	**(53)**	(47)
Net exposure	**(137)**	**(2)**	**(107)**	(142)

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

	March 4, 2022		November 30, 2021	
	RMB	**$**	RMB	$
Cash	**5,852**	**1,181**	901	181
Short-term deposit with a financial institution with maturity of less than 1 year	**4,098**	**827**	4,078	819
Balance sheet exposure	**9,950**	**2,008**	4,979	1,000

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax the three months ended March 4, 2022 and March 5, 2021 would decrease by approximately $20 and $9. An assumed 1% weakening of the Canadian dollar versus the RMB would have had an equal but opposite effect on these amounts.

7.3 Credit risk

The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. The Corporation considers a receivable to be in default when contractual payments are 180 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. During the three months ended March 4, 2022, the Corporation's largest and second largest customer accounted for approximately 26.1% and 10.8% of sales (2021 – 22.3% and 9.9%), respectively. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

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

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

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.

7.4 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in *Note 3.3*. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors 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 March 4, 2022 and November 30, 2021:

					March 4, 2022	November 30, 2021
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Amount**	Amount
	$	**$**	**$**	**$**	**$**	$
Bank debt[1] (committed facility)	964	716	388	-	**2,068**	2,327
Bank debt interest payments	70	32	8	-	**110**	135
Accounts payable and accrued liabilities, and provisions	11,996	-	-	-	**11,996**	13,803
Contract liabilities	156	-	-	-	**156**	335
Lease liabilities (undiscounted contractual cash flows)	1,486	1,237	3,650	6,630	**13,003**	13,907
Operating leases	122	71	24	-	**217**	227
	14,794	**2,056**	**4,070**	**6,630**	**27,550**	30,784

1. Bank debt as at March 4, 2022 is offset by $60 of deferred financing charge ($65 as at November 30, 2021).

The Corporation's lease for the Aerospace Chatsworth facility (the "Facility") expires on June 30, 2022 and the owner has advised the Corporation of their intention to sell the Facility. To secure the Facility for continued occupancy, the Corporation entered into a purchase and sale agreement (the "Agreement") on March 23, 2022 to purchase the Facility for US$6,700. The Agreement requires an escrow deposit of US$100 on signing and a second escrow deposit of US$100, provided certain conditions are met. Escrow deposits are fully refundable to the Corporation if certain contingencies, including satisfactory financing, are not waived by the Corporation within 60 days from the date of the Agreement (the "Closing Date").

The Corporation plans to assign all rights and obligations of the Agreement to a third party and concurrently enter into a mutually acceptable Facility lease agreement with the third party prior to the Closing Date.

In the case that the Agreement has not been assigned to a third party prior to the Closing Date, the Corporation will complete the purchase of the Facility using a combination of cash, available credit lines or other financing.

a) Paycheck Protection Program Loans

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

During the three month period ended March 5, 2021, U.S. $1,032 or $1,336 of the PPP loans were fully forgiven. The remaining PPP loan balance was fully forgiven in fiscal 2021.

b) Canada Emergency Wage Subsidy

During the second quarter of fiscal 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program. The Corporation applied for the CEWS and during the three months ended March 5, 2021, the Corporation recorded $1,000 in government subsidies as a reduction to operating expenses in the interim condensed consolidated statement of loss. The CEWS program ended during the fourth quarter of fiscal 2021.

c) Aviation Manufacturing Jobs Protection Program

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

During the three months ended March 4, 2022, the Corporation recorded $256 of AMJP funding as a reduction to cost of sales in the consolidated statement of earnings (2021 – Nil).

8. SEGMENTED INFORMATION

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

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

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

	Three months ended March 4, 2022			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**14,849**	**8,129**	**-**	**22,978**
Inter-company sales	**(668)**	**(1,849)**	**-**	**(2,517)**
Net sales	**14,181**	**6,280**	**-**	**20,461**
Cost of sales and selling, general and administrative expenses	**11,449**	**5,677**	**650**	**17,776**
Research and development costs	**1,239**	**153**	**-**	**1,392**
Recovery of investment tax credits	**(133)**	**(44)**	**-**	**(177)**
Depreciation of plant and equipment	**962**	**178**	**45**	**1,185**
Depreciation of right-of-use assets	**193**	**169**	**5**	**367**
Amortization of intangible assets	**31**	**-**	**-**	**31**
Foreign exchange loss (gain) on conversion of assets and liabilities	**145**	**61**	**(37)**	**169**
Earnings (loss) before interest and income taxes	**295**	**86**	**(663)**	**(282)**
Interest expense on bank debt, net	**-**	**-**	**9**	**9**
Accretion on lease liabilities	**73**	**34**	**1**	**108**
Income tax expense	**-**	**-**	**332**	**332**
Net earnings (loss)	**222**	**52**	**(1,005)**	**(731)**
Other operating segments disclosures:				
Additions to plant and equipment	**2,013**	**96**	**-**	**2,109**

	Three months ended March 5, 2021			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	12,671	8,328	-	20,999
Inter-company sales	(686)	(1,343)	-	(2,029)
Net sales	11,985	6,985	-	18,970
Cost of sales and selling, general and administrative expenses	9,438	6,600	558	16,596
Research and development costs	1,225	157	-	1,382
Recovery of investment tax credits	(84)	(43)	-	(127)
Depreciation of plant and equipment	891	200	49	1,140
Depreciation of right-of-use assets	193	178	12	383
Amortization of intangible assets	31	58	-	89
Forgiveness of debt	(645)	(691)	-	(1,336)
Foreign exchange loss (gain) on conversion of assets and liabilities	256	248	114	618
Earnings (loss) before interest and income taxes	680	278	(733)	225
Interest expense on bank debt, net	-	-	39	39
Accretion on lease liabilities	79	46	1	126
Income tax expense	-	-	487	487
Net earnings (loss)	601	232	(1,260)	(427)
Other operating segments disclosures:				
Additions to plant and equipment	364	14	-	378

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

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

	As at March 4, 2022			As at November 30, 2021		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**55,861**	**20,788**	**76,649**	59,364	20,088	79,452
Intangible and other assets	**565**	**209**	**774**	596	209	805
Total segment liabilities	**20,041**	**5,887**	**25,928**	21,591	6,819	28,410

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

	Three months ended			
	March 4, 2022	**%**	March 5, 2021	%
Canada	**1,813**	**8.9**	2,392	12.6
United States	**15,554**	**76.0**	14,605	77.0
Asia	**1,593**	**7.8**	1,181	6.2
Europe	**1,200**	**5.9**	599	3.2
Other Americas	**301**	**1.5**	193	1.0
Total	**20,461**	**100.0**	18,970	100.0

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

	As at March 4, 2022			
	Canada	**United States**	**Asia**	**Total**
	$	**$**	**$**	**$**
Intangible and other assets (by location of division)	**204**	**291**	**279**	**774**
Plant and equipment (by location of division)	**5,644**	**5,095**	**1,289**	**12,028**
Right-of-use assets (by location of division)	**6,073**	**3,502**	**140**	**9,715**

	As at November 30, 2021			
	Canada	United States	Asia	Total
	$	$	$	$
Intangible and other assets (by location of division)	205	322	278	805
Plant and equipment (by location of division)	4,911	4,797	1,370	11,078
Right-of-use assets (by location of division)	6,209	3,712	177	10,098

The Corporation's primary sources of revenue are as follows:	**Three months ended**	
	March 4, 2022	March 5, 2021
	$	$
Sale of goods	**20,225**	18,615
Services	**236**	355
	20,461	18,970

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

Timing of revenue recognition based on transfer of control is as follows:		Three months ended
	March 4, 2022	March 5, 2021
	$	$
At a point of time	**20,225**	18,615
Over time	**236**	355
	20,461	18,970

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

For the three months ended March 4, 2022	**Location**	**Circuits Segment**	**Aerospace Segment**	**Total**	**% of FTG total net sales**
		$	**$**	**$**	
Customer A	United States	**3,392**	**1,940**	**5,332**	**26.1**
Customer B	United States	**1,445**	**769**	**2,214**	**10.8**

For the three months ended March 5, 2021	Location	Circuits Segment	Aerospace Segment	Total	% of FTG total net sales
		$	$	$	
Customer A	United States	3,394	806	4,200	22.3
Customer C	Canada	72	1,778	1,850	9.9

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