FIRAN TECHNOLOGY GROUP CORPORATION

TSX: FTG

ANNUAL INFORMATION FORM
For the year ended November 30, 2022

February 8, 2023

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NOTICE TO INVESTORS

Interpretation

Unless the context otherwise requires, all references in this Annual Information Form ("**AIF**") to "**FTG**" and the "**Corporation**" refer to Firan Technology Group Corporation and its subsidiaries and, to the extent references in this AIF are made to matters undertaken by a predecessor to FTG or its subsidiaries, include such predecessor.

The Corporation presents its financial statements in Canadian dollars. In this AIF, references to "CDN$", "$", "dollars" or "Canadian dollars" are to Canadian dollars, references to "US$" or "U.S. dollars" are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Except as otherwise noted, the information in this AIF is given as of February 9, 2023.

Forward-Looking Statements

Certain statements in this AIF, 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, the outlook and performance of the aviation and defense industries, 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; risk of security breaches or disruptions of information technology systems; 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; effect of climate change on FTG's business and the industry as a whole; 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 significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Common Shares (as defined below) and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; 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.

Additional information about the risks and uncertainties about FTG's business is provided in its disclosure materials, including this AIF, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

CORPORATE STRUCTURE

The head and registered office of Firan Technology Group Corporation is located at 250 Finchdene Square, Toronto, Ontario M1X 1A5.

FTG is 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, the Corporation was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. These articles were subsequently amended. The material amendments were as follows:

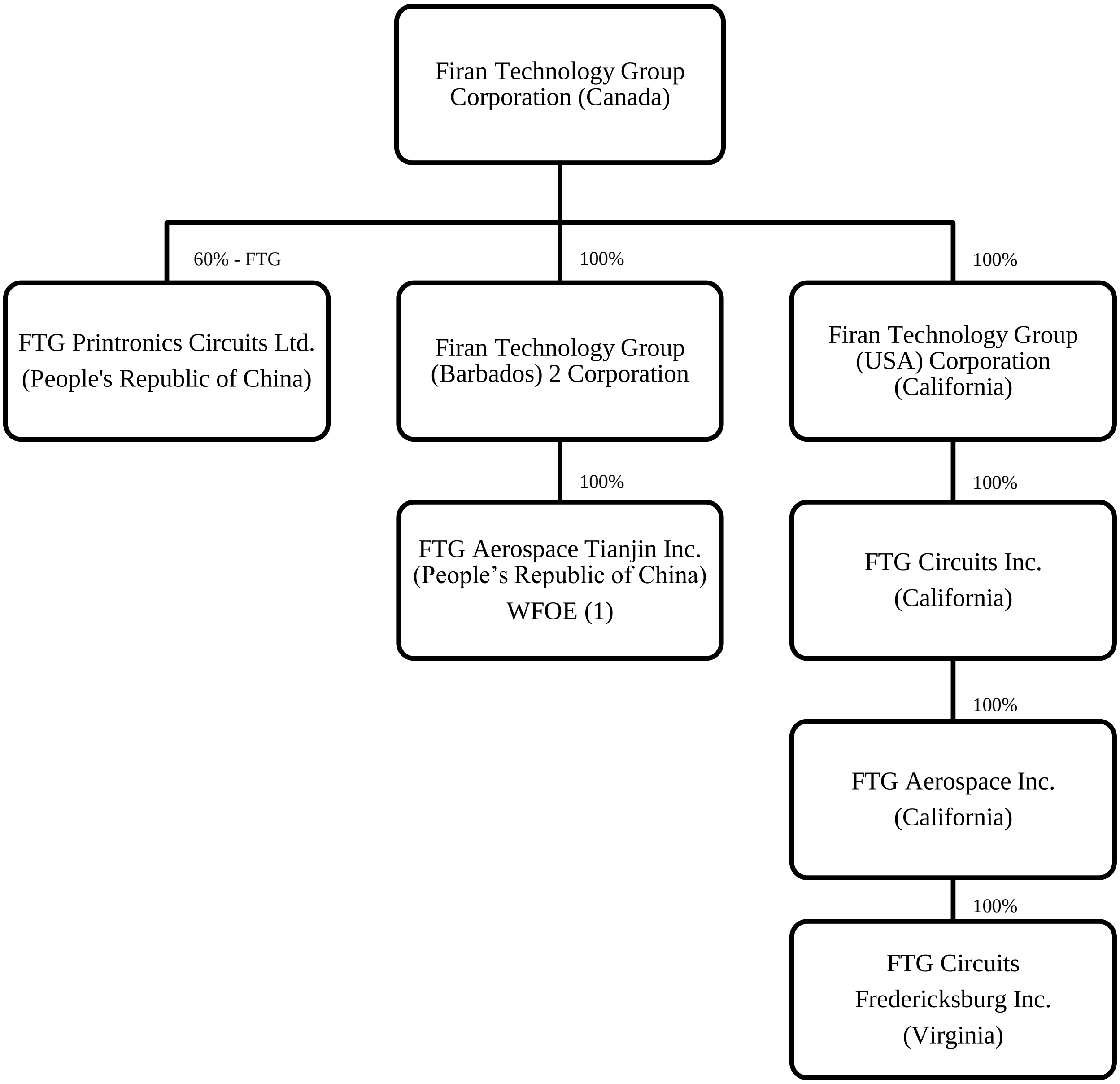
June 2, 1995	To change its corporate name to "Circuit World Corporation".
December 29, 1998	To consolidate the outstanding common shares, common share options and warrants so that 40 common shares became 1 common share.
May 18, 2004	To change its corporate name to "Firan Technology Group Corporation".

INTERCORPORATE RELATIONSHIPS

Firan Technology Group Corporation has two direct wholly owned subsidiaries, (i) Firan Technology Group (USA) Corporation, which in turn owns 100% of the voting securities of FTG Circuits Inc., FTG Aerospace Inc. and FTG Circuits Fredericksburg Inc., and (ii) Firan Technology Group (Barbados) 2 Corporation, which in turn owns 100% of the voting securities of FTG Aerospace Tianjin Inc. During 2022, Firan Technology Group (Barbados) 1 Corporation, formerly a wholly-owned subsidiary of FTG, was dissolved.

In addition, the Corporation has a 60% ownership of FTG Printronics Circuit Ltd. ("**JV**"), a joint venture with Tianjin Printronics Circuit Corp. in the People's Republic of China.

The following chart outlines our corporate structure, our subsidiaries and the jurisdiction of incorporation for each Corporation:



Note:
(1) "WFOE" is a wholly foreign-owned enterprise.

GENERAL DEVELOPMENT OF THE BUSINESS (OVER THE PAST 3 YEARS)

On December 30, 2019, the Corporation, through its FTG Aerospace Toronto business division, received a purchase order, which added US$0.2 million to their long-term agreement with SAVIC for the design, development and certification support for the Entry into Service (EIS) configuration of various Display Suite Control Panel Assemblies deployed on the new COMAC C919 Aircraft.

On January 15, 2020, the Corporation announced that it had completed and received AS9100D Certification from SAI Global Ltd. for its recently acquired printed circuit board manufacturing facility located in Fredericksburg, Virginia U.S.A.

On March 10, 2020, the Corporation announced the resignation of BDO Canada LLP as auditors of the Corporation effective March 10, 2020. BDO Canada LLP resigned at the Corporation's request. The replacement of BDO Canada LLP as auditors of the Corporation and the appointment of MNP LLP ("**MNP**") as auditors of the Corporation was considered and recommended by the Audit Committee of the Board of Directors of the Corporation (the "**Board**") and was approved by the Board.

In May 2020, the Corporation's U.S. 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 approximately US$2.4 million ("**PPP Loans**") as part of the Coronavirus Aid, Relief, and Economic Security ("**CARES**") Act of the U.S. Government. The PPP Loans specifically support the ongoing payroll costs and certain operating costs of these subsidiaries, bear interest at a fixed rate of 1% per annum, and have a maturity date of two years from the date of advance. PPP Loans require blended monthly principal and interest payments. PPP Loans may be forgiven in whole or in part, to the extent permitted in accordance with the applicable provisions of the CARES Act. The three separate PPP loans were forgiven in full in December 2020, December 2020, and June 2021, respectively.

On July 8, 2020, the Corporation announced it entered into an amended and restated two-year committed credit facility (the "**Credit Facility**") with its primary financial institution, which was set to expire in July 2022. The Credit Facility is a US$20.0 million committed revolving credit facility 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. The key terms of the Credit Facility are comparable to the previous one. In July 2021, the Credit Facility was amended to extend to July 2026.

On July 22, 2020, the Corporation announced that it had received approval from Transport Canada to be an Approved Maintenance Organization. Under this approval, FTG Aerospace Toronto is approved for the maintenance of aeronautical products, specifically for instruments or display devices. With this approval, FTG can now maintain or repair its display products and provide airworthiness tags for repaired products.

In October 2020, 1,775,000 preferred shares, being 100% of the issued and outstanding Series 1 preferred shares in the capital of the Corporation, were converted into common shares in the capital of the Corporation ("**Common Shares**") on a one-for-one basis in consideration for a cash payment by the Corporation to the holder in the amount of approximately $155,000, representing a 5% premium to the then-current trading price of the Common Shares.

On November 19, 2020, the Corporation announced that it has achieved National Aerospace and Defense Contractors ("**Nadcap**") accreditation and certification at its printed circuit board manufacturing facility located in Fredericksburg, Virginia. FTG Circuits Fredericksburg provides printed circuit boards to aerospace and defense customers and the Nadcap certification is a critical process verification requirement from many existing and target customers.

On September 14, 2021, the Corporation announced that it had been awarded a CDN$3.7 million after-market contract from the United States Defense Logistics Agency (DLA) to provide electronic assemblies to retrofit airborne radar systems on various U.S. Armed Forces aircraft. The work will be performed at the FTG facilities in Chatsworth, California.

On March 1, 2022, the Corporation announced that Robert Beutel had re-joined the Board.

On April 20, 2022, the Corporation announced the acceptance by the Toronto Stock Exchange (the "**TSX**") of FTG's Notice of Intention to Make a Normal Course Issuer Bid ("**NCIB**"). Pursuant to the NCIB, FTG received approval from the TSX to have the ability to purchase for cancellation up to a maximum of 1,224,560 Common Shares, being approximately 5% of its Common Shares outstanding as of April 12, 2022. Purchases will conclude on the earlier of the date on which purchases under the NCIB have been completed and April 21, 2023. As at November 30, 2022, FTG purchased and cancelled 564,300 Common Shares at a weighted average price of $2.00 per Common Share, for a total cost of $1,135,000 including commission and other transaction costs, under its current NCIB.

On May 30, 2022, the Corporation announced that IPC's Validation Services Program has awarded requalification for IPC-1791, Trusted Electronics Fabricator Requirements Qualified Manufacturers Listing (QML) to FTG Circuits Fredericksburg, VA.

On July 4, 2022, the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) announced up to $7 million through the Aerospace Regional Recovery Initiative (ARRI), for FTG to enhance productivity and expand offerings. This funding will be in the format of a repayable contribution against qualifying investments made by FTG during a three-year period ending March 31, 2024. The funding will be repayable, without interest, commencing in 2025 over a period of 5 years.

On August 23, 2022, the Corporation announced that it had been awarded a total of $7.5 million in new purchase orders from its two largest simulator customers. FTG will supply multiple complete sets of cockpit assemblies for military and commercial simulators for different aircraft, including refueling fixed-wing aircraft, helicopters, and business jets. Most of the orders are for repeat assemblies that have previously been developed and delivered by FTG. This work will be performed by FTG's Aerospace segment facilities in Toronto, Ontario; Chatsworth, California; and Tianjin, China with completion by the third quarter of 2023.

On October 24, 2022, the Corporation announced a new contract with its represented employees at its FTG Circuits – Toronto facility had been negotiated and ratified.

On October 31, 2022, the Corporation announced that Amy Rice had joined the Board.

On November 17, 2022, the Corporation announced it had entered into an agreement to acquire IMI, Inc. ("**IMI**") based in Haverhill, Massachusetts, north of Boston. IMI is a manufacturer of specialty RF circuit boards focused on the aerospace and defense markets. The closing of the acquisition is subject to approval by the Committee on Foreign Investment in the United States ("**CFIUS**") and other customary closing conditions. On closing, FTG will acquire 100% of the common shares of IMI for cash consideration of approximately $2 million, subject to typical closing adjustments.

On December 28, 2022, the Corporation announced it had entered into an agreement to acquire Holaday Circuits, Inc. ("**Holaday**") based in Minnetonka, Minnesota, a suburb of Minneapolis. Holaday is a manufacturer of high technology circuit boards focused on the aerospace and defense markets. The closing of the acquisition is subject to approval by CFIUS and other customary closing conditions. On closing, FTG will acquire 100% of the shares of Holaday for cash consideration of approximately $24 million, subject to typical closing adjustments. Pursuant to an earn-out provision, FTG will also pay to the sellers of Holaday up to an additional $6 million, depending on Holaday's future performance.

DESCRIPTION OF THE BUSINESS

General

FTG is a leading global supplier of aerospace and defence electronic products and subsystems. With facilities in Canada, the United States and Tianjin, China, FTG provides prototype development and manufacturing services complemented by quick-turn-around production runs. FTG has two operating segments: FTG Aerospace and FTG Circuits.

FTG Circuits

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. FTG Circuits has manufacturing operations in Toronto, Ontario ("**FTG Circuits – Toronto**"), Chatsworth, California ("**FTG Circuits – Chatsworth**"), Fredericksburg, Virginia ("**FTG Circuits – Fredericksburg**") and a joint venture in Tianjin, China ("**FTG Printronics Circuits**), along with a sourcing arrangement with another operating facility in China. Its customers are technological and market leaders in the aviation, defence and other high technology industries. The FTG Circuits segment accounted for approximately 62.4% of the Corporation's revenue during fiscal 2022 (approximately 66.0% during fiscal 2021).

A printed circuit board consists of one or more layers of etched wiring bonded to a board fabricated from insulating material designed to act as a base for, and to interconnect, microprocessors, semi-conductors, integrated circuits and other electronic components. Profit margins on complex circuits are typically higher for those utilizing advanced materials meeting high reliability specifications or advanced production processes than those on standard materials designed to meet commercial specifications. Accordingly, the Corporation seeks to produce a high percentage of advanced technology boards in an effort to optimize its operating margins. The Corporation currently derives the majority of its revenue from such sophisticated printed circuits.

All printed circuits manufactured by the Corporation are custom-designed by customers because every printed circuit has a unique application. This requires the Corporation's engineering and quality control groups to work closely with FTG's customers. Through this collaborative process, the Corporation assists its customers in developing new products that optimize technical performance of the product, ensures high quality and reliability while minimizing costs.

FTG Circuits' customer base has 182 active customers and 63.1% (53.5% in fiscal 2021) of total sales came from its top five customers in fiscal 2022. FTG Circuits has supply agreements with major customers for defined periods of time and at defined prices. Future contracts are dependent on acceptable performance with regard to price, quality and delivery.

FTG Aerospace

FTG Aerospace manufactures illuminated cockpit panels, keyboards, bezels and sub-assemblies and assemblies for OEMs of avionics products as well as for airframe manufacturers around the world. 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. The FTG Aerospace segment accounted for approximately 37.6% of the Corporation's revenue during fiscal 2022 (approximately 34.0% during fiscal 2021).

FTG Aerospace's customer base totals 92 active customers, with approximately 54.6% (57.9% in fiscal 2021) of total sales coming from its top five customers in fiscal 2022. FTG Aerospace has supply agreements with major customers for defined periods of time and at defined prices. Future contracts are dependent on acceptable performance with regard to price, quality and delivery.

Business Outlook

On a global scale, the airline industry was dramatically weakened in 2020 and 2021with significant drops in passenger travel due to the COVID-19 pandemic. This negatively impacted the commercial aerospace industry. Travel has recovered and demand in the aerospace industry has returned. The challenge for the Aerospace industry has quickly changed to how to ramp production to meet the demand. Labor and material challenges abound in this industry, like many others.

Specifically at FTG, beyond the reduced demand, the COVID-19 pandemic had caused production disruptions at all sites at various points in time. The impact on FTG's operations in 2022 has diminished with each quarter. FTG's backlog, resulting from increased customer demand, has grown faster than we could ramp production in 2022.

In commercial Air Transport, the pandemic hurt demand. Airbus reduced shipments by 35% in 2020 compared to 2019. In 2022, Airbus deliveries rose approximately 11% compared to 2021. Airbus' order backlog remains high at over 7,000 aircraft and projections are for more than 20% delivery increase in 2023. Boeing has also been hurt by the pandemic and their challenges with the B737 aircraft. The B737 is now flying again in the U.S., Canada and Europe and production of the aircraft has resumed in 2022. Projections are for more than 30% increase in production at Boeing in 2023. 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. Backlog at Airbus is over 90% single aisle aircraft and over 80% at Boeing.

The business jet market also saw reduced demand during 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. The conflict in Ukraine is causing many NATO member states to relook at their defence spending with expectations that these spendings will increase in the coming years.

Customers

FTG Circuits' customers consist primarily of large, multinational original equipment manufacturers ("**OEM**"s) as well as contract manufacturers in the aviation, defence, and other high technology industries. Its customers include Raytheon Technologies, Celestica Inc, GE Aviation, BAE, Plexus Corp., Honeywell Aerospace (a subsidiary of Honeywell International Inc.) ("**Honeywell**"), Qualitel Corp., Prodrive B.V., Teledyne Technologies Inc. and Northrop Grumman Corporation.

FTG Aerospace sells to avionics and airframe manufacturers, with the majority being large, multinational OEMs. Customers include Raytheon Technologies, Honeywell, the US Defense Logistics Agency, CAE

Electronics (a subsidiary of CAE, Inc.), BAE, L3Harris, Vitron Manufacturing, Groupe Latécoère. GE Aviation and Diamond Aircraft Industries. The following table summarizes the Corporation's sales in its principal markets over the last two years:

	Fiscal 2022	Fiscal 2021
Canada	**10.2%**	10.2%
United States	**72.7%**	75.1%
Asia	**9.5%**	8.6%
Europe	**6.1%**	5.7%
Other	**1.5%**	0.4%
Total	**100.0%**	100.0%

Sales and Marketing

The Corporation utilizes a blend of both direct salespeople and manufacturers' representatives for sales and marketing. The Corporation's direct sales people are located in Ontario, Canada, and in Texas, Alabama, New York, Kentucky and Colorado in the United States. The Corporation's direct sales representatives are responsible for both selling products and managing the manufacturers' representatives in their respective areas.

Facilities

The following table describes FTG's current facilities:

Location	Usage	Size (sq. ft.)	Status	Lease Expiry	Option
250 Finchdene Square Toronto, Ontario, Canada	Printed Circuit Boards	84,093	Leased	June 30, 2027	Option to renew further 5 years
10 Commander Blvd. Toronto, Ontario, Canada	Cockpit Instruments	33,575	Leased	November 30, 2027	Option to renew for 2, 5-year terms
20750 Marilla St. Chatsworth, California, U.S.A.	Printed Circuit Boards	22,000	Leased	December 31, 2024	Option to renew further 5 years
20740 Marilla St. Chatsworth, California, U.S.A.	Cockpit Instruments	13,400	Owned [1]	-	-
20736 Marilla St. Chatsworth, California, U.S.A.	Cockpit Instruments	7,200	Owned [1]	-	-
1026 Warrenton Rd., Fredericksburg, Virginia, U.S.A.	Printed Circuit Boards	40,910	Leased	July 15, 2024	Option to renew further 5 years
225 Jinger Road Aviation Industry Zone Building 2 Block 1-B Tianjin Airport Economic Area Tianjin, P.R. China	Cockpit Instruments	18,590	Leased	January 31, 2027	Option to renew for 1 four-year term
53 Hanghai Road Building 4-2 Zone C Tianjin Airport Economic Area Tianjin, P.R. China	Printed Circuit Boards (JV)	26,289	Leased	December 31, 2023	Under review.

[1] On January 31, 2023, the FTG Aerospace Chatsworth facility was the subject of a sale-leaseback transaction, which resulted in the facility sold for cash proceeds of $8.5 million net of commissions and other expenses and leased back for a term of 7 years and 11 months ending on December 31, 2029. In addition, FTG has 2 options to extend the lease, each for 5 years.

Competitive Conditions

The market for printed circuit boards is generally highly competitive and fragmented. Traditionally, production of aerospace and defence applications has remained in North America due to technology, reliability and security requirements. Recently, some civil aerospace products have been supplied from Asia as a result of increasing capabilities of Asian manufacturers and the fact that Asia is now the largest market for aircraft with an increasing demand for Asian content.

The manufacture of low technology circuit boards in small volumes does not generally require a large investment in plant and equipment. Consequently, there are a large number of manufacturers in this sector with most of the production having migrated offshore to Asia. High-technology, multi-layer printed circuit boards involve a higher level of material and process technology and, therefore, a substantially larger investment in the plant and equipment is required. With higher barriers to entry, only a limited number of companies operate in this sector compared to the much larger number of companies manufacturing low-technology printed circuit boards. FTG's focus is on aerospace, defence and other high reliability markets. The Corporation's product focus is in the high technology areas, such as high-density, multi-layer circuitry, rigid flex, high frequency and thermal management applications.

The principal competitive factors facing the Corporation include product quality and reliability, cost effectiveness and the ability to make timely delivery on a consistent basis. Equally important is the technical support provided to customers. Through close consultation with its customers, respecting the design of new complex high-technology circuits, the Corporation believes it is able to establish relationships with its customers, which enhances its ability to compete successfully. The market for illuminated cockpit panels, keyboards and bezels is fragmented as well. As the complexity of requirements from both civil and military customers is increased, the required investments in design, manufacturing and quality inspection are also increased. The increased investment in equipment and skills limits the number of competitors for the manufacture of new, more advanced products in this market. FTG Aerospace is well positioned in the business and regional jet segment of the market. For the defence segment, FTG Aerospace has the capability and is well positioned on some programs, such as the C-130 aircraft, but has little or no content on many other platforms.

Source, Pricing and Availability of Raw Materials

The raw materials used by FTG Circuits consist chiefly of copper-clad stock and various core materials and chemicals, all of which are generally manufactured in Asia and North America. The Corporation seeks to maintain multiple sources of supply for all raw materials. Certain raw material prices, such as laminates, are dependent on commodity prices. Given the fluctuations in commodity prices over the last few years, the Corporation has experienced price changes from its suppliers which are generally in line with the movement of the underlying commodity prices.

FTG Aerospace uses printed circuit boards, switches, lamps, various electronic components and connectors, some of which are in limited supply and overall are seeing high inflationary pressures.

Environmental Requirements

There are a number of ways in which the manufacture of high-density, multi-layer printed circuit boards by FTG could potentially impact the environment. Inherent in virtually all production steps is the need for a variety of chemicals and their use, treatment and disposal must be managed properly. The Corporation’s environmental policy provides the strategic framework for meeting environmental objectives. The Corporation’s goal is to support this policy with corporate direction and procedures that govern all aspects of the Corporation’s operations, which in turn will strengthen the Corporation’s environmental management system. The Corporation has continued to make improvements in the environmental area. The necessary capital expenditure has put in place adequate waste management capacity in support of the Corporation’s current and future manufacturing requirements and will ensure ongoing compliance with local environmental standards. The Corporation also believes that its facilities currently meet all other environmental standards or guidelines and are compliant with municipal, provincial, state and federal agencies’ regulations.

Over the past few years, the Corporation has focused on water conservation and waste minimization and has implemented off-site recycling programs for waste by-products. In future years, the Corporation intends to continue to pursue environmental leadership and anticipates placing more emphasis on pollution prevention and design for the environment.

Employees

As at November 30, 2022, the Corporation employed 462 full time persons, of which 160 are unionized employees at the FTG Circuits – Toronto and the FTG Aerospace – Toronto facilities. None of the salaried personnel across the Corporation or the hourly personnel in FTG Circuits – Chatsworth, FTG Circuits – Fredericksburg, FTG Aerospace – Chatsworth or FTG Aerospace – Tianjin or FTG Printronics Circuits are represented by a union. Of the 462 employees, 161 are employed in the Aerospace segment, 279 in the Circuits segment and 22 in the Corporate Segment.

On July 19, 1993, the Corporation’s hourly employees at FTG Circuits - Toronto were granted certification with Unifor Canada and its Local 124. On October 24, 2022, the Corporation announced a new contract with its represented employees at its Circuits – Toronto facility had been negotiated and ratified. The contract is for four years and expires in July 2026.

On September 21, 2011, the Corporation's hourly employees at FTG Aerospace - Toronto were granted certification with Unifor Canada and its Local 303. On November 18, 2019, the Corporation announced a new contract with its represented employees at its FTG Aerospace – Toronto facility had been negotiated and ratified. The contract is for four years and expires in August 2023.

Risk Factors

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. The following section describes some, but not all, of the risk factors that may adversely affect the Corporation's business, financial condition or results of operations. The Corporation is subject to risks that may affect financial performance. Additional risks not described below or not presently known to FTG may also affect FTG's business, financial condition or results of operations.

Public Health Measures

In March 2020, the World Health Organization characterized 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, demonstrated how such measures may adversely affect workforces, organizations, consumers, economies, and financial markets globally, leading to an economic downturn and increased market volatility.

In addition to adverse impacts on the Corporation's operations, public health measures may also result in volatility in demand for the Corporation's products and services targeted to the commercial aerospace market, which is ultimately tied to the global air transport industry.

In the event that future public health measures negatively impact operations, FTG would implement actions and measures to mitigate the adverse impact on the Corporation's operations. There is no certainty that the measures taken would be sufficient to mitigate the risks posed by the public health measures.

Lastly, during COVID-19, the Corporation received certain government-provided financial assistance, including the Canada Employment Wage Subsidy in Canada, the PPP and the Employee Retention Credit in the United States, which among other benefits allowed FTG to retain its highly-skilled workforce during a period of depressed market conditions. There can be no assurances that similar programs would be in place during future public health measures, or that FTG would be eligible for any such programs that were put in place.

Market Volatility Risk

Uncertainty and signs of volatility remain in the general global economic environment. In the U.S., economic growth is stable, as it is in the Canadian and European economies. Economic growth continues in China and other parts of Asia. A prolonged or more significant downturn in an economy where the Corporation operates could negatively impact order bookings and may add to volatility in order bookings. Impacts on demand for the Corporation's products and services may lag behind global macroeconomic trends due to the strategic nature of the Corporation's programs to its customers and long lead times on projects.

Competition

The Corporation operates in the aerospace and defence industry that is characterized by global competition and fluctuations in demand. The Corporation's operating performance could be adversely affected should there be a downturn in the aerospace and defence industry. Some of the Corporation's competitors have longer operating histories, greater name recognition, larger customer bases, manufacturing facilities in countries with lower production costs and greater financial, technical and marketing resources than the Corporation. These resources may allow the Corporation's competitors to respond more quickly than the Corporation to new or emerging technologies and to changes in customer requirements.

Changes in Technology

The printed circuit board industry is characterized by rapid technological change in both product and process technology. It is imperative that the Corporation continuously maintain and improve its technological capabilities to meet the changing needs of customers. The aerospace and defence industry could encounter competition from new or enhanced production and manufacturing technologies that render existing production and manufacturing technology less competitive or obsolete. While the Corporation attempts to protect its intellectual property through confidentiality and nondisclosure agreements and other measures, intellectual property is difficult to protect and these measures may prove inadequate, particularly in countries without well-developed judicial systems and intellectual property laws. In addition, competitors may be able to learn or develop similar technology independently. Any failure or inability to protect the Corporation's intellectual property, to continue to develop or enhance products, to obtain access to current technological developments may have a materially adverse effect on the Corporation's business.

Customer Concentration

In general, reliance on key customers is a risk facing the Corporation. For the year ended November 30, 2022, sales to the Corporation's two largest customers accounted for 25.6% (25.3% in fiscal 2021) and 10.0% (9.2% in fiscal 2021) of sales, respectively. In fiscal 2022, the top five customers accounted for 55.3% (51.1% in fiscal 2021) and the top ten customers accounted for 69.4% (64.3% in fiscal 2021).

Foreign Currency Exchange

The Corporation is particularly exposed to foreign exchange fluctuations in its Canadian operations as the vast majority of sales are earned in U.S. dollars, while the majority of operating expenses are incurred in Canadian dollars. The relative strength, or weakness, of the Canadian dollar is one such factor as about 60-70% 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. The Corporation regularly enters into forward exchange contracts to sell excess U.S. dollars generated from operations.

Dependence on Key Personnel

The Corporation's future performance and development will depend, to a significant extent, on the efforts and abilities of its executive officers and key management personnel. The loss of the services of one or more of these individuals could harm the Corporation. If one or more members of the Corporation's senior management or key professionals were to resign, the loss of personnel could result in loss of sales, delays in new product development and diversion of management resources, any of which could have a negative effect on the Corporation's business. The Corporation's success depends largely on the Corporation's ability to attract, develop and retain skilled key employees.

Aging Workforce

The Corporation's current and future performance relies on the skill set of an aging workforce who have developed their unique skills over a large number of years. At present, 72% (72% in 2021) of the Corporation's North American staff and 71% (75% in 2021) of the executive team are over the age of 50. The Corporation will need to develop succession plans to replace appropriate personnel. The risk may be that the developed skill set may not be available when needed.

Labour Risks

The Corporation's ability to continuously operate its facilities and grow the business is dependent upon retaining and developing sufficient labour and management resources. The Corporation continues to monitor developments and review its human resource strategies to ensure an adequate supply of labour and management.

The Corporation's collective agreements with hourly employees at FTG Circuits – Toronto and FTG Aerospace – Toronto expire July 14, 2026 and August 7, 2023, respectively. The Corporation may not be able to reach suitable agreements without a labour disruption or without agreeing to significant increases in wages or employee benefits. Although the Corporation has not experienced any prolonged labour disruptions in the recent past, future industrial action or the threat of future industrial action by the Corporation's employees in response to any future efforts by management to reduce labour costs, restrain wage increases or modify work practices could adversely affect the Corporation's business by disrupting operations or constraining the Corporation's ability to carry out any such efforts. In the event of a labour disruption, such as a strike or lock-out, the Corporation's results from operations could be materially and adversely affected.

Acquisition Risks

The Corporation will continue to seek growth organically and through acquisitions, including the proposed acquisitions of IMI and Holaday. This strategy may expose the Corporation to a number of risks, including but not limited to:

- assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition was negotiated;
- valuation methodologies may not accurately capture the value of the acquired business;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- difficulties relating to combining previously separate entities into a single, integrated, and efficient business;
- the effects of diverting management's attention from day-to-day operations to matters involving the integration of acquired companies;
- potentially substantial transaction costs associated with business combinations;
- potential impairment resulting from the overpayment for an acquisition;
- difficulties relating to assimilating the personnel, services, and systems of an acquired business and to assimilating marketing and other operational capabilities;
- increased burdens on the Corporation's staff and on its administrative, internal control and operating systems, which may hinder its legal and regulatory compliance activities; and
- difficulties in applying and integrating the Corporation's system of internal controls to an acquired business.

The Corporation seeks to leverage its organizational structure, business processes and experience to successfully integrate acquired businesses into the Corporation. If the Corporation is unable to invest in and successfully acquire and integrate new businesses, implement new equipment, systems, processes and facilities, the Corporation may be unable to expand its business as planned.

While the Corporation often obtains indemnification rights from the sellers of acquired businesses, such rights may be difficult to enforce, the losses may exceed any dedicated escrow funds, and the indemnitors may not have the ability to financially support the indemnity.

In addition, there is no assurance that the Corporation will continue to locate suitable acquisition targets or that it will be able to consummate any such transaction on terms and conditions acceptable to the Corporation. Existing cash balances and cash flow from operations, together with borrowing capacity under its senior secured credit facility, may be insufficient to make acquisitions. Credit market conditions may also make it more difficult and costly to finance acquisitions. Through acquisitions, the Corporation may also enter into businesses it has not previously conducted and expose it to additional business risks that are different than those it has traditionally experienced.

Further, to the extent the Corporation enters into a definitive agreement with respect to an acquisition, as it has done with respect to the proposed IMI and Holaday acquisitions, the Corporation may, in its discretion, waive certain closing conditions in it favour in the applicable agreement or agree to amend the definitive agreement. As a result, the Corporation may complete an acquisition on terms that may be different from those previously described. As a result, the expected benefits of an acquisition may not be fully realized. There can also be no assurance that an acquisition will be completed in accordance with anticipated timing or at all.

Expansion Risks

The Corporation may experience negative impacts on operating results during periods of rapid change. New employees added in highly skilled areas may take 12 months or more to become fully trained in the Corporation’s specific technologies and procedures. New facilities may not be fully utilized immediately upon occupancy. Until new employees and new facilities are fully productive, operating margins may be lower than optimal. In addition, because of high recruiting and training costs and the competitive advantages of retaining a stable and experienced workforce, the Corporation may retain skilled workers during periods of reduced demand resulting in lower earnings and operating margins during such periods.

Litigation and Product Liability

From time to time in the ordinary course of conducting its business, the Corporation may be threatened with, or may be named as a defendant in various legal proceedings, including lawsuits based upon product liability, employment matters, personal injury, breach of contract, lost profits or other consequential damage claims which could exceed the Corporation’s existing insurance coverage. In certain jurisdictions, there is potential for individual claims to be certified as a class action. A significant judgment against the Corporation, or the imposition of a significant fine or penalty, as a result of a finding that the Corporation failed to comply with laws or regulations, or being named as a defendant on multiple claims, could have a material adverse effect on the Corporation’s business, financial condition, liquidity and results of operations.

The Corporation, like other manufacturers and sellers of aerospace and defence electronic products and subsystems, is subject to potential liabilities connected with its business operations including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. A major product liability claim could have a material adverse effect on the Corporation’s business, financial condition, liquidity and results of operations because of the size of any judgment awarded, the costs of defending against such claims, diversion of key employees' time and attention from the business and potential damage to its reputation.

Production Capabilities Elsewhere

Price competition from aerospace and defence manufacturers in Asia and other locations with lower production costs may play an increasing role in the markets in which the Corporation competes. While aerospace and defence manufacturers in these locations have historically competed primarily in markets for less-advanced products, they are expanding their manufacturing capabilities to produce higher technology products and sub-systems. If production capabilities continue to increase in Asia, the Corporation may lose market share and its gross margins may be adversely affected by increased price pressure.

Reliance on Suppliers

The Corporation relies on suppliers for the timely delivery of materials used in the manufacturing of its products. An increase in industry demand or a shortage of raw materials may increase the price of the raw materials the Corporation uses and may limit its ability to manufacture certain products. This may adversely impact the Corporation's gross margins. In the manufacture of printed circuit boards, the Corporation uses materials such as copper-clad stock and various core materials and chemicals which it orders from its suppliers. Suppliers of laminates and other raw materials that the Corporation uses may, from time to time, extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which could adversely affect the Corporation's gross margins and its ability to deliver products on a timely basis. In addition, if a raw material supplier fails to satisfy the Corporation's product quality standards, this could harm the Corporation's relationship with its customers. Similarly, in the manufacturing of cockpit products and sub-systems, the Corporation is dependent upon suppliers of various plastic materials, metal stock and machined parts, lighting and other electronic components, which can also be subject to changing lead time, prices and availability.

Credit Risk of Customers

The Corporation is exposed to the credit risk of its customers and the Corporation is further exposed as a result of concentration in its customer base**.** Most of the Corporation's sales are on an "open credit" basis, with standard industry payment terms. The Corporation monitors individual customer payment capability in granting open credit arrangements and it seeks to limit open credit to amounts it believes its customers can pay. In addition, the Corporation maintains reserves believed to be adequate to cover its exposure for doubtful accounts. During periods of economic downturn in the global economy generally and the high technology and aviation industries specifically, the Corporation's exposure to the credit risk of its customers increases. Although the Corporation has programs in place to monitor and mitigate the associated risk, these programs may not be effective in reducing credit risks and this may have an adverse effect on the Corporation's business, financial condition, and results of operations.

Compliance with Environmental Laws

A failure by the Corporation to comply with environmental laws could adversely affect its business. The Corporation's operations are regulated under a number of federal, state, provincial and municipal environmental and safety laws and regulations that govern, among other things, the discharge of hazardous and other materials into the air and water, as well as the handling, storage, labelling, and disposal of such materials.

When violations of environmental laws occur, the Corporation can be held liable for damages, penalties and costs of investigation and remedial actions. Violations of environmental laws and regulations may occur in the future as a result of a failure to have necessary permits, human error, equipment failure or other causes. If the Corporation violates environmental laws, it may be held liable for damages and the costs of investigations and remedial actions and may be subject to fines and penalties, and revocation of permits necessary to conduct the Corporation's business. Any permit revocations could require the Corporation to cease or limit production at one or more of its facilities, thus harming its business, results of operations and financial condition. Even if the Corporation ultimately prevails, environmental lawsuits against it could be time consuming and costly to defend. A failure by the Corporation to comply with applicable environmental laws and regulations could limit the Corporation's ability to expand facilities or could require it to acquire costly equipment or to incur other significant expenses to comply with these laws and regulations.

In the future, environmental laws may become more stringent, imposing greater compliance costs and increasing risks and penalties associated with violations. Changes or restrictions on discharge limits, emissions levels, permitting requirements and material storage, handling or disposal might require a high level of unplanned capital investment, operating expenses or, depending on the severity of the impact of the foregoing factors, costly plant relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm the Corporation's business, results of operations and financial condition.

Damage to Facilities

The Corporation has manufacturing facilities in Toronto, Ontario, Chatsworth, California, Fredericksburg, Virginia and Tianjin, China. The destruction or closure of any of these manufacturing facilities for a significant period of time as a result of fire, explosion, act of war or terrorism, flood, blizzard, tornado, earthquake, lightning, or other natural disaster could increase the Corporation's costs of doing business and harm its ability to deliver manufacturing services on a timely basis and, consequently, could harm its operating results.

Operating Results Subject to Fluctuations

The Corporation's future operating results and gross margins may fluctuate from fiscal period to fiscal period due to a number of factors, many of which are outside the Corporation's control and any of which could cause the Corporation's stock price to fluctuate. The primary factors that affect the Corporation include the following:

- the effects of the COVID-19 pandemic;
- changes in future exchange rates;
- changes in overall demand for the Corporation's products;
- changes in expected customer timing of new product introductions;
- changes in OEM customer manufacturing yields throughout their products' life cycles;
- changes in the specific products the Corporation's customers purchase;
- changes in the Corporation's selling prices;
- changes in utilization of the Corporation's production capacity;

- changes in the Corporation’s infrastructure costs;
- changes in the Corporation’s manufacturing process, or problems related to the Corporation’s manufacturing process;
- changes in the Corporation’s manufacturing yields;
- changes in the Corporation’s production efficiency; long disruptions in operations at any of the Corporation’s plants for any reason; and
- changes in the cost of, or limits on, available materials and labour.

Possible Intellectual Property Claims

The Corporation may be exposed to intellectual property infringement claims by third parties that could be costly to defend, could divert management’s attention and resources, and if successful, could result in liability. From time to time in the ordinary course of business, the Corporation could be subject to legal proceedings and claims for alleged infringement of third party proprietary rights, such as patents. It is possible that the circuit board designs and other specifications supplied to the Corporation by its customers might infringe on the patents or other intellectual property rights of third parties, in which case the manufacture of printed circuit boards according to such designs and specifications could expose the Corporation to legal proceedings for allegedly aiding and abetting the violation, as well as to potential liability for the infringement. If the Corporation does not prevail in any litigation as a result of any such allegations, its business could be adversely affected. Any potential intellectual property litigation alleging infringement by the Corporation of a third party’s intellectual property could also force the Corporation or its customers to:

- stop producing products that use the intellectual property in question;
- obtain an intellectual property license to sell the relevant technology at an additional cost, which license may not be available on reasonable terms, or at all; and
- redesign those products or services that use the technology in question.

The costs to the Corporation resulting from having to take any of these actions could be substantial and the Corporation’s business, financial condition and results of operations could be materially adversely affected.

Demand for Customers’ Products

If the demand for the products of the Corporation’s customers decline, demand for the Corporation’s products will be similarly affected and its revenues, gross margins and operating performance will be adversely affected. The Corporation’s customers that purchase aerospace and defence engineering and manufacturing services from the Corporation are subject to their own business cycles. Some of these cycles show predictability from year to year. However, other cycles are unpredictable in commencement, depth and duration. A downturn, or any other event leading to additional excess capacity, could negatively impact the Corporation’s revenues, gross margins and operating performance. The Corporation cannot accurately predict the continued demand for its customers’ products and the demands of the Corporation’s customers for the Corporation’s products and services. As a result of this uncertainty, the Corporation’s past operating results, earnings and cash flows may not be indicative of the Corporation’s future operating results, earnings and cash flows.

<u>Industry Consolidation Risk</u>

The aerospace and defense industry includes many small and medium sized companies and is therefore subject to potential consolidation, the result of which would be a reduction in the number and an increase in the size of companies that compete with the Corporation. If the Corporation's competitors consolidate, they likely will increase their market share, gain economies of scale that enhance their ability to compete with the Corporation and/or acquire additional expertise, products and technologies that could displace the Corporation's solutions, services, and product offerings. Consolidation within the Corporation's customers' industries could affect the Corporation's customers and their relationships with the Corporation. If a competitor of the Corporation acquires any of the Corporation's customers, the Corporation may lose that business. Additionally, as the Corporation's customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including the Corporation.

<u>Continued Financing</u>

The Corporation's ability to execute its long-term strategy may depend on its ability to obtain additional long-term debt and equity capital. The Corporation's current credit facilities mature on July 9, 2026 and the Corporation may be unable to obtain future additional financing on terms acceptable to the Corporation, or at all. If the Corporation fails to comply with certain covenants relating to its indebtedness, it may need to refinance its indebtedness to repay it. The Corporation may need to refinance its indebtedness at maturity. The Corporation may not be able to obtain additional capital on favourable terms to refinance its indebtedness. The following factors could affect the Corporation's ability to obtain additional financing on favourable terms, or at all: the Corporation's results of operations; general economic conditions and conditions in the aerospace and defence industry; the perception in the capital markets of the Corporation's business; the Corporation's ratio of debt to equity; the Corporation's financial condition; the Corporation's business prospects; changes in interest rates; and general economic conditions.

In addition, certain covenants relating to the Corporation's existing indebtedness impose certain limitations on additional indebtedness. If the Corporation is unable to obtain sufficient capital in the future, the Corporation may have to curtail its capital expenditures and reduce research and development expenditures. Any such actions could have a material adverse effect on the Corporation's business, financial condition and results of operations.

<u>Significant Shareholder's Ability to Influence Matters Requiring Shareholder Approval</u>

As at February 8, 2023, Oakwest Corporation Limited ("**Oakwest**") and its directors beneficially owns approximately 20.1% of the issued and outstanding Common Shares and controls approximately 20.1% of the votes that may be cast at meetings of the shareholders of the Corporation. Because of its large shareholdings relative to the holdings of other shareholders, Oakwest has a strong influence over matters requiring approval by the shareholders of the Corporation.

<u>Share Price Volatility Risk</u>

The trading price of the Common Shares has in the past been, and may continue to be, subject to significant fluctuations. This may make it more difficult for holders of Common Shares to resell their Common Shares when they want at prices that they find attractive. These fluctuations may be caused by events related or unrelated to the Corporation's operating performance and beyond its control. Factors that may contribute to fluctuations include, but are not limited to:

- revenue, margins, order bookings or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;

- changes in recommendations or financial estimates by industry or investment analysts;
- changes in management or the composition of the Board;
- outcomes of litigation or arbitration proceedings;
- announcements of technological or competitive developments by the Corporation or its competitors;
- introduction of new products or the gain or loss of significant customer contracts or relationships by the Corporation or its competitors;
- developments with respect to the Corporation's intellectual property rights or those of the Corporation's competitors;
- rumours or dissemination of false and/or misleading information;
- fluctuations in the share prices of other companies operating in business sectors comparable to those that the Corporation operates in;
- changes in the industries in which the Corporation or its customers operate;
- the effects of the COVID-19 pandemic;
- general market or economic conditions; and
- other risk factors set out in this AIF.

If the market price of the Common Shares drops significantly, holders of Common Shares could institute securities litigation, including class action lawsuits, against the Corporation, regardless of the merits of such claims. Such a lawsuit could cause the Corporation to incur substantial costs and could divert the time and attention of its management and other resources from its business.

Product Performance Warranty and Casualty Claim Losses

The products that the Corporation manufactures are highly complex and sophisticated and may contain defects that are difficult to detect and correct. The products are subject to stringent certification or approval requirements, as well as detailed specifications listed in the individual contracts with customers. Product defects may be found after they are delivered to the customer. If discovered, the Corporation may not be able to correct them in a timely manner, or at all. The occurrence of defects and any failure in the Corporation's products could result in warranty claims, which may negatively affect the Corporation's reputation and result in the loss of customers. Correcting such defects could require significant capital investment.

In addition, due to the nature of the Corporation's business, it may be subject to liability claims arising from accidents or disasters involving its products, or products for which it has provided services, including claims for serious personal injuries or death. These accidents may include accidents caused by climatic factors or by pilot error. The Corporation cannot be certain that its insurance coverage would be sufficient to cover one or more substantial claims of this nature. Furthermore, there can be no assurance that the Corporation would be able to obtain insurance coverage at acceptable levels and cost in the future.

Insurance Coverage Risk

The Corporation maintains property, business interruption, aviation products liability, cyber, employment practice liability and casualty insurance but such insurance may not cover all risks associated with the hazards of the Corporation's business and is subject to limitations, including policy exclusions, deductibles and maximum liabilities covered. The Corporation is potentially at risk if one or more of its insurance carriers fail. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the ratings and survival of some insurers. In the future, the Corporation may not be able to obtain coverage at current levels, if at all, and premiums may increase significantly on coverage that is currently maintained.

Conducting Business in Foreign Jurisdictions

The Corporation intends to continue to pursue international growth opportunities, including further growth of its manufacturing subsidiary and joint venture in Tianjin, China. The Corporation has limited experience conducting business outside of North America, and it may not be aware of all the factors that may affect its business in foreign jurisdictions. The Corporation is subject to a number of risks associated with international business activities that may increase liability and costs, lengthen sale cycles and require significant management attention. International operations carry certain risks and associated costs, such as:

- the complexities and expense of administering a business abroad;
- complications in compliance with and unexpected changes in foreign regulatory requirements;
- foreign laws, international import and export legislation;
- trading and investment policies;
- corruption, requests for improper payments or other actions that may violate our Canadian foreign corrupt practices acts, uncertain legal enforcement and physical security;
- foreign currency fluctuations;
- exchange controls; tariffs and other trade barriers;
- difficulties in collecting accounts receivable;
- potential adverse tax consequences;
- uncertainties of laws and enforcement relating to the protection of intellectual property or secured technology;
- unauthorized copying of software;
- difficulty in managing a geographically dispersed workforce in compliance with diverse local laws and customs; and
- other factors, depending upon the jurisdiction involved.

The Corporation may experience these factors in the future and these factors may have a material adverse effect on the Corporation’s business, operating results and financial condition.

Income and Other Taxes

The Corporation is subject to income and other taxes in Canada and numerous foreign jurisdictions. Significant judgement is required in determining its worldwide liability for income and other taxes. In the ordinary course of the Corporation’s business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Corporation believes that its tax estimates are reasonable, there can be no assurances that the final determination of any tax audits will not be materially different from that which is reflected in historical income and other tax provisions and accruals. Should additional taxes be assessed as a result of an audit, litigation or changes in tax laws, there could be a material adverse effect on the Corporation’s current and future results and financial condition.

The Corporation’s future effective tax rate will depend on the relative profitability of the Corporation’s domestic and foreign operations, the statutory tax rates and taxation laws of the related tax jurisdictions, the tax treaties between the countries in which the Corporation operates, and the timing of the release, if any, of the valuation allowance.

Impairment of Intangible Assets, Deferred Income Tax Assets, Investment Tax Credits Receivable, Income Taxes Payable and Deferred Taxes Payable Risks

The Corporation assesses its Intangible Assets, Deferred Income Tax Assets, Investment Tax Credits recoverable and Deferred Taxes payable for impairment and the estimated useful lives of these items on an annual basis, taking into consideration any events or circumstances that might result in either a diminished fair value, or for a revised useful life. These events and circumstances include significant changes in the business climate, legal factors, operating performance indicators, advances in technology and competition. Any impairment or revised useful life could have a material and adverse effect the Corporation's financial position and results of operations, and could materially adversely affect its share price.

Government Regulation and Legislation

The Corporation's operations are subject to various laws governing taxes, export licenses, labour and occupational health standards, employment law, and other matters. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including fines or corrective measures requiring capital expenditures. Although the Corporation believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have a materially adverse effect on the Corporation's financial condition and results of operations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have an adverse impact on the Corporation and cause increases in expenses, capital expenditures or manufacturing costs.

*Corruption of Foreign Public Officials Act ("**CFPOA**"), United States Foreign Corrupt Practices Act ("**FCPA**") and Anti-Bribery Laws Risks*

The Corporation is subject to compliance with various laws and regulations, including the Canadian CFPOA, the United States FCPA and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage. The Corporation's employees are trained and required to comply with these laws, and the Corporation is committed to legal compliance and corporate ethics. The Corporation operates in jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There is no assurance that the Corporation's training and compliance programs will protect it from acts committed by its employees, affiliates or agents. Violations of these laws could result in severe criminal or civil sanctions and financial penalties and other consequences that may have a material adverse effect on the Corporation's business, reputation, financial condition or results of operations.

Security Breaches and Disruptions of Information Technology Systems Risks

The Corporation utilizes a variety of information technology systems to manage and operate its businesses. These information systems may be owned and maintained by the Corporation, outsource providers or third parties such as customers, vendors and contractors. These information systems may be vulnerable to a variety of sources of failure, attack, interruption, unauthorized access or access denial including by reason of cyberattacks and cyber security threats to the confidentiality, availability and integrity of the systems. Information security risks have increased in recent years due to new technologies and the increased sophistication of perpetrators of cyberattacks. It is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information.

Information contained in the Corporation's systems include proprietary or sensitive information on customers, suppliers, partners, employees, business information, and intellectual property. Unauthorized third parties may be able to penetrate the network security and misappropriate or compromise confidential information, deploy viruses, worms and other malware or phishing that would exploit any security vulnerabilities in the Corporation's management information systems. The Corporation cannot guarantee that the extensive security measures taken (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems) will be sufficient to counter any such unauthorized access to information systems, nor that any assessment and mitigation measures are sufficient to avoid, or mitigate the impact of, a major system failure.

Any major system failure, cyberattack or a breach of systems could result in information losses, significant remediation costs, increased cyber security costs, denial of future cyber insurance coverage or lost revenues due to a disruption of activities. Furthermore, a major system failure or reports of perceived security vulnerabilities of FTG's systems could adversely impact FTG's reputation in the aerospace and defense industry and materially impact operations and financial results.

Internal Controls Risk

Effective internal controls are necessary for the Corporation to provide reliable financial reports and effectively prevent fraud. Under Canadian securities law requirements, the Corporation's Chief Executive Officer and Chief Financial Officer are required to certify that they are responsible for establishing and maintaining disclosure controls and internal controls over financial reporting for the Corporation, that those disclosure controls and internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS). The Corporation maintains compliance with Canadian securities law requirements by strengthening, assessing and testing the system of internal controls to provide the basis for the certification. However, the continuous process of strengthening the Corporation's internal controls and complying with Canadian securities law requirements is expensive and time consuming. The Corporation cannot be certain that the measures it is taking will ensure that it maintains adequate control over financial processes and reporting. Furthermore, as the Corporation grows its business, the controls will become more complex and the Corporation could require more resources to ensure its internal controls remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent registered public accounting firm discovers a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's audited consolidated financial statements and harm its share price. In addition, future non-compliance with the Canadian securities law requirements could subject the Corporation to a variety of administrative sanctions, including the suspension of trading or delisting of its Common Shares, which could materially adversely affect its share price.

Climate Change Risk

Global climate change could exacerbate certain of the threats facing the Corporation, including the frequency and severity of weather-related events, which can disrupt operations, damage the Corporation's infrastructure or properties, create financial risk to the business or otherwise have a material adverse effect on the results of operations, financial position or liquidity. In addition, concerns about the environmental impacts of air travel and tendencies towards “green” travel initiatives could have the effect of reducing demand for air travel and, consequently reduce market demand for the Corporation’s products.

Natural Disasters, Pandemics, Acts of War, Terrorism, International Conflicts or Other Disruptions Risk

Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, political instability, and the actions taken by governments could cause damage to or disrupt the Corporation’s business operations, suppliers or customers, and could create economic instability. Although it is not possible to predict such events or their consequences, these events could decrease demand for the Corporation’s products and services or make it difficult or impossible for the Corporation to deliver products and services. If the Corporation cannot complete its contracts on time, it may be subject to potential liability claims from its customers.

Dependence on Performance of Subsidiaries Risk

The Corporation’s subsidiaries are separate and distinct legal entities. Any right that the Corporation has to receive any assets of or distributions from any subsidiary upon its bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary’s creditors, including trade creditors. The Corporation may also be exposed to claims upon insolvency of a subsidiary in some jurisdictions where local laws or case law may provide for recourse against shareholders especially when assets are insufficient to cover liabilities, including employees’ redundancy costs. In addition, the Corporation or its subsidiaries may enter into joint ventures with third parties as a means to execute their business strategies. The Corporation’s ability to access its assets, including cash in these joint ventures, may be restricted by the governing documents of any such joint ventures.

Export Control Regulations

The world security landscape is constantly changing, resulting in stricter import and export compliance requirements being imposed by many countries, including Canada and the United States which may restrict the Corporation’s access to opportunities from the U.S.A. and the rest of the world.

Ensuring compliance with these enhanced programs is increasingly challenging, but the complexity of the systems required for compliance is not the only risk to the Corporation:

> The Corporation relies heavily on the United States and other countries for aerospace and defense orders and the Canadian *export control requirements* and the U.S. *International Traffic in Arms Regulations* (“**ITAR**”) are not only complicated but compliance requires input from the Corporation’s customers. These requests for what can be difficult inputs may be negatively viewed by the Corporation’s customers as such inputs require extra work and effort. The negative perception may also be exaggerated by the fact that many of the Corporation’s customers do not fully understand the export requirements and thus may take the easier solution of purchasing products from domestic sources.
>
> The U.S. ITAR regulations are also a risk to the Corporation’s business outside the U.S., as export of the orders from the Corporation’s U.S. facilities is complicated by the same perception. The Corporation’s U.S. facilities have specific product expertise that cannot be fully utilized in the manufacture of products for some non-U.S. customers.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preference shares ("**Preferred Shares**") issuable in series.

As at February 9, 2023, the Corporation had outstanding 23,926,902 Common Shares and Nil Preferred Shares. Each Common Share carries the right to one vote, and the Common Shares represent 100% of the aggregate voting rights attached to the Corporation's outstanding voting shares.

DIVIDENDS

The Corporation has not, within the three most recently completed financial years, declared or paid any dividends on the Common Shares or Preferred Shares and the Corporation does not currently have a policy with respect to the payment of dividends. The payment of dividends in the future, if any, will depend on the Corporation's earnings and financial condition and such other factors as the Board considers appropriate.

TRADING PRICES AND VOLUME OF SECURITIES

The Common Shares are traded on the Toronto Stock Exchange, under the symbol "FTG". The following table sets out the trading history for the Common Shares for each of the periods indicated since the beginning of fiscal 2022.

Fiscal Month	Monthly High	Monthly Low	Trading Volume
December 2021	$2.66	$2.34	368,593
January 2022	$2.68	$2.31	244,808
February 2022	$2.84	$2.30	1,389,568
March 2022	$3.00	$2.23	298,496
April 2022	$3.01	$2.51	229,944
May 2022	$2.57	$2.05	524,312
June 2022	$2.48	$1.96	732,103
July 2022	$2.15	$1.75	2,106,158
August 2022	$2.41	$2.00	278,605
September 2022	$2.29	$1.88	253,146
October 2022	$2.05	$1.85	53,568
November 2022	$2.06	$1.80	476,030

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

The following tables set forth the full name, province and country of residence and principal occupations within the five preceding years for each of the Directors of the Corporation and the current President and Chief Executive Officer, Chief Financial Officer and Vice Presidents in charge of a principal business unit, division or function, or individuals who perform a policy making function in respect of the Corporation.

Directors

Name	Director Since (1)	Municipality of Residence	Principal Occupations within Five Preceding Years
Mike Andrade (2) (3) (4)	July 2016	Toronto, Ontario, Canada	CEO, Morgan Solar 2015 – Present
Robert J. Beutel (2) (3) (4)	February 2022(5)	Toronto, Ontario, Canada	Executive Officer, Oakwest Corporation Limited
Bradley C. Bourne	July 2003	Mississauga, Ontario, Canada	President and Chief Executive Officer Firan Technology Group Corporation January 2004 – Present
Amy Rice (2) (3) (4)	October 2022	Jacksonville, Florida, U.S.A.	CEO, Sy-Klone International 2019 – Present President, Rice Consulting Services, Inc. 2019 CSX Corp., Vice President of Intermodal and Coal Operations, 2018 – 2019, Vice President of Strategic Planning, 2017 – 2018
Edward C. Hanna (2) (3) (4)	July 2003	Beaufort, North Carolina, U.S.A.	Corporate Director January 19, 2010 – Present
David F. Masotti (2) (3) (4)	April 2004	Etobicoke, Ontario, Canada	Corporate Director and Business Consultant October 2007 – Present

Notes:

(1) Each director is elected annually to hold office until the next annual meeting of shareholders of the Corporation, unless such office is earlier vacated in accordance with the by-laws of the Corporation.
(2) Member of the Audit Committee.
(3) Member of the Corporate Governance Committee
(4) Member of the Compensation Committee.
(5) Mr. Beutel was also a member of the Board from 2011 to 2020.

Officers and Senior Management

Office	Name	Region of Residence	Principal Occupations within Five Preceding Years
President and Chief Executive Officer	Bradley C. Bourne	Mississauga, Ontario, Canada	President and Chief Executive Officer
Vice President, Chief Financial Officer and Corporate Secretary	Jamie Crichton	Schomberg, Ontario, Canada	Vice President, Chief Financial Officer and Corporate Secretary September 2019 – Present Vice President Finance Nanowave Technologies Inc. April 2014 – September 2019
Vice President, Business Development	Peter Dimopoulos	Richmond Hill, Ontario, Canada	Vice President, Business Development
Vice President and General Manager, FTG Circuits Chatsworth Vice President and General Manager, FTG Aerospace Chatsworth	M. Shawn Thompson	Redondo Beach, California, U.S.A.	Vice President and General Manager FTG Circuits & FTG Aerospace – Chatsworth November 2020 – Present Vice President and General Manager OSI Electronics Flex Division October 2019 – October 2020 President OSI Electronics May 2017 – October 2020
Vice President and General Manager, FTG Circuits Toronto FTG Circuits Fredericksburg	Hitesh Talati	Newcastle, Ontario, Canada	Vice President and General Manager FTG Circuits – Toronto July 2015 – Present
General Manager, FTG Aerospace Tianjin Inc.	Brandon Kuecker	Fort Worth, Texas, U.S.A.	General Manager FTG Aerospace Tianjin Inc. April 2018 – Present Director of Operations FTG Aerospace – Chatsworth April 2017 – April 2018

Office	Name	Region of Residence	Principal Occupations within Five Preceding Years
General Manager, FTG Aerospace Toronto	Randy Drake	Burlington, Ontario, Canada	General Manager FTG Aerospace – Toronto December 2019 – Present Director of Operations FTG Aerospace – Toronto April 2017 – Dec 2019

As of February 9, 2023, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,127,822 Common Shares, representing approximately 13.1% of the issued and outstanding Common Shares and a 13.1% voting interest in the Corporation. In addition, Mr. Beutel is a director of Oakwest, which owns 20.1% of the issued and outstanding Common Shares and a 20.1% voting interest in the Corporation.

Except as set out below, no director or executive officer of the Corporation and, to the knowledge of the Corporation, no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(A) is, as of the date of this AIF, or has been, within the 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company of such director, executive officer or shareholder) that (i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, (ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (iii) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(B) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder; or

(C) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, nor has any such director, executive officer or shareholder been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

Audit Committee's Charter

The charter of the Audit Committee of the Corporation is attached as Schedule "A" to this AIF.

Composition of Audit Committee

As of February 9, 2023 the members of the Audit Committee were Edward Hanna (Chairman), Mr. Mike Andrade, Mr. Robert Beutel, Mr. David Masotti and Ms. Amy Rice. Each member of the Audit Committee is independent and none receive, directly or indirectly, any compensation from FTG other than for service as a member of the Board and its Committees. All members of the Audit Committee are financially literate as defined under National Instrument 52-110 – *Audit Committees.* In considering the criteria for determining financial literacy, the Board looks at the ability of a director to read and understand a balance sheet, an income statement and a cash flow statement of a public corporation.

Relevant Education and Experience of Audit Committee Members

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Corporation to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements, and (iv) an understanding of internal controls and procedures for financial reporting.

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

- Mr. Andrade is currently the CEO of Morgan Solar and has almost 30 years of experience in the technology industry. Mr. Andrade previously held several high-ranking positions at Celestica, most recently as President of Diversified Markets. Mr. Andrade has a Bachelor of Engineering Science degree from the University of Western Ontario and an M.B.A. from the Schulich School of Business.

- Mr. Beutel, an executive director of Oakwest, has been an investment analyst for approximately 30 years. In the course of his career, Mr. Beutel has served on numerous audit committees.

- Mr. Hanna, prior to his retirement in 2010, was the former Chief Executive Officer and Chairman of the Board of Directors of Glendale. Mr. Hanna is a Certified Public Accountant and has a Bachelor of Science in Business Administration from the University of North Carolina.

- Mr. Masotti is a corporate director and business leader with general management experience in numerous industries including telecommunications, aerospace and venture capital. Mr. Masotti has an Electrical Engineering Degree from Queen's University and an M.B.A. from the Harvard Business School.

- Ms. Rice is Chief Executive Officer of Sy-Klone International, a global leader and manufacturer of air filtration products for industrial machinery and military applications, both in the United States and internationally. Prior to this, Ms. Rice had extensive experience in the Transportation Sector, including positions in strategic planning, finance and operations for CSX Corp., a public traded Class 1 railroad. Ms. Rice has a BBA from Emory University and an MBA from the University of Michigan.

Pre-Approval Policies and Procedures

The Audit Committee has considered whether the provision of services, other than audit services, is compatible with maintaining the independence of the Corporation's auditor. The Audit Committee has adopted a policy that prohibits FTG from engaging its auditors for "prohibited" categories of non-audit services and requires pre-approval by the Audit Committee of audit services and other services within permissible categories of non-audit services.

AUDITOR'S FEES

MNP has served as FTG's auditors since March 10, 2020. Estimated fees paid and accrued in the years ended November 30, 2022 and November 30, 2021 are detailed below:

Audit Fees

	2022 **$**	2021 $
Audit fees	**105,000**	105,000
Audit-related fees	**7,500**	7,500
Tax fee	**45,000**	40,000
All other fees and expenses	**31,400**	10,325
Total	**188,900**	162,825

Audit fees were for professional services rendered by the auditors for the audit of the annual consolidated financial statements of the Corporation, its U.S. subsidiaries, FTG Circuits Inc., FTG Aerospace Inc. and FTG Circuits Fredericksburg Inc., and inclusive of fees charged by RSM China and Baker Tilly China for statutory audits of FTG Printronics Circuit Ltd. and FTG Aerospace Tianjin Inc., respectively.

Tax Fees

Tax fees were for tax compliance, planning and advice services including the review of original tax returns and assistance with questions regarding tax audits and transactions services for Canadian, U.S., and Barbados tax requirements.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is, from time to time, involved in litigation in the ordinary course of its business. The Corporation maintains liability insurance that it considers adequate to insure claims related to usual risks associated with its business.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation and no person or company that beneficially owns, directly or indirectly, more than 10% of the Common Shares or the Preferred Shares, nor any associates or affiliates of any such director, executive officer or 10% holder of Common Shares, has had any material interest, directly or indirectly, in any transaction of the Corporation within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is AST Trust Company (Canada) at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business, there are no material contracts entered into by FTG or its subsidiaries during or prior to fiscal 2022 and after January 1, 2002 that are still in effect.

INTERESTS OF EXPERTS

The Corporation's auditor, MNP is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario. MNP has audited the consolidated financial statements of the Corporation for the financial year ended November 30, 2022.

ADDITIONAL INFORMATION

Additional information about the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities, if applicable, is contained in the Corporation's most recent Management Proxy Circular for the annual meeting of its shareholders. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis of financial condition and results of operations for the Corporation's most recently completed financial year. Additional information, including the above-mentioned documents, is available on the Corporation's website at www.ftgcorp.com or on SEDAR at www.sedar.com.

Schedule "A"

FIRAN TECHNOLOGY GROUP CORPORATION

AUDIT COMMITTEE CHARTER

Effective Date: October 11, 2022

1. Purpose and Scope

The Audit Committee (the "**Committee**") of Firan Technology Group Corporation (the "**Company**") is a committee of the Board of Directors (the "**Board**"). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board.

Independence of Members

Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time.

Term of Members

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

Committee Chair

At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee ("**Committee Chair**") for a one-year term who may serve for any number of consecutive terms. Notwithstanding any of the foregoing, the Committee Chair must be a member of the Committee.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

Financial Literacy of Members

At the time of their appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

3. Meetings

Frequency of Meetings

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter.

Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

Meeting Agenda

The Committee Chair shall, in consultation with management, establish the agenda for each meeting and ensure that the agenda and properly prepared agenda materials are circulated to the members of the Committee with sufficient time for study prior to the meeting.

Procedure

The Committee Chair, any member of the Committee, the Company's external auditors, the Chair of the Board, the Lead Director (if any), the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Secretary who will notify the members of the Committee. The procedures for holding, conducting and adjourning meetings of the Committee shall be at the discretion of the Committee Chair.

Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. The minutes shall be circulated to the members of the Committee and, upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. Following each meeting, the Committee Chair shall report to the Board on the major discussions held, and the major decisions made by the Committee, as well as any matter in their view requiring the immediate attention of the Board.

Attendance of Non-Members

The Company's external auditors are entitled to receive notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

Meetings Without Management and Executive Sessions

As part of each meeting of the Committee, the Committee shall hold an *in camera* session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

The Committee shall also periodically meet separately, at unscheduled or regularly scheduled meetings or portions of meetings, in executive session or otherwise with each of the Company's external auditor and management, as the Committee deems appropriate.

Access to Information and Authority

The Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the Company's management, employees, documents and books and records and shall be provided with the resources necessary to carry out its responsibilities. The Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve and pay any such advisor's fees and other retention terms without prior approval of the Board. Before retaining any such outside advisor, the Committee shall consider the independence of such advisor, including any independence factors that it is required to consider by applicable law.

4. Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are listed, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

Financial Reports

(a) **General**

The Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The Company's external auditors are responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim consolidated financial statements.

(b) **Review of Annual Financial Reports**

The Committee shall review the annual consolidated audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and financial performance ("**MD&A**"). After completing its review, if advisable, the Committee shall approve and recommend the annual consolidated financial statements and the related MD&A for Board approval.

(c) **Review of Interim Financial Reports**

The Committee shall review the interim consolidated financial statements of the Company, the auditors' review report thereon, if any, and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim consolidated financial statements and the related MD&A for Board approval.

(d) **Review Considerations**

In conducting its review of the annual consolidated financial statements or the interim consolidated financial statements, the Committee shall:

(i) meet with management and the auditors to discuss the financial statements and MD&A;

(ii) review the disclosures in the financial statements;

(iii) review the audit report or review report, if any, prepared by the external auditors;

(iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the Company's financial statements;

(v) regularly review the Company's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

(vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

(vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

(viii) review significant recorded and unrecorded audit adjustments;

(ix) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles ("**GAAP**");

(x) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

(xi) inquire at least annually of both the Company's management, accounting group and the Company's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies and question the significant financial reporting issues discussed during the year and the method of resolution of such issues;

(xii) review the Company's auditor's final determination of the materiality threshold and the nature and amount of unadjusted errors;

(xiii) request the Company's auditor to express their opinion as to whether accounting principles and policies, disclosure practices and estimates are the "most appropriate" for the Company;

(xiv) review with the auditors alternative accounting treatments that have been discussed with management;

(xv) review with management any significant changes in GAAP, as well as emerging accounting and auditing issues, and their potential effects;

(xvi) review with management matters that may have a material effect on the financial statements;

(xvii) review management's report on the effectiveness of internal controls over financial reporting;

(xviii) review the factors identified by management as factors that may affect future financial results;

(xix) review results of the Company's audit committee whistleblower hotline program;

(xx) consider whether financial provisions for specific environmental remediation responsibilities are adequate and consider whether a general provision for environmental liabilities is warranted; and

(xxi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Company and material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and any non-GAAP financial measures.

The Committee is responsible for ensuring that satisfactory policies and procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those policies and procedures.

External Auditors

(a) **General**

The Committee shall be directly responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

(b) **Nomination and Compensation**

The Committee shall review and, if advisable, recommend for Board approval the Company's external auditors to be nominated and the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms, including the auditors' audit plan.

(c) **Resolution of Disagreements**

The Committee shall assess the effectiveness of the working relationship of the Company's external auditors with management and resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Company's auditors, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.

(d) **Discussions with Auditors**

At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(e) **Audit Plan**

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Independence of Auditors**

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(g) **Evaluation of Lead Partner**

At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the auditors.

(h) **Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the auditors for the Company or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures, and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(i) **Approval of Hiring Policies**

The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(j) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Compensation Committee, as appropriate.

Internal Controls

(a) **General**

The Committee shall review the Company's system of internal controls.

(b) **Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these policies and procedures. At least annually, the Committee shall periodically consider and review with management and the auditors:

(i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

(iii) any material issues raised by any inquiry or investigation by the Company's regulators;

(iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting;

(v) the Company's Code of Business Conduct and Ethics and its promulgation and enforcement;

(vi) discuss selected issues with corporate counsel; and

(vii) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Risk Management

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Company and the establishment and management of appropriate systems, including policies and procedures, to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company. In this regard, the Committee shall require management to report on a quarterly basis to the Committee, and the Committee shall review such reports provided by management, on the risks inherent in the business of the Company (including environmental compliance, management information systems, foreign exchange, adequacy of insurance coverage maintained by the Company, appropriate crisis preparedness, business continuity, information system controls, cybersecurity and information security and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Company's risk management policies, and residual risks remaining after implementation of risk controls. The Committee shall report to the Board on a quarterly basis, with respect to the principal risks faced by the Company and the steps implemented by management to manage these risks.

Compliance with Legal and Regulatory Requirements

The Committee shall review reports from the Company's Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Company; (b) the effectiveness of the Company's compliance policies and procedures; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Environmental

With respect to environmental compliance, the Audit Committee shall:

(i) review the requirements of relevant standards as to the responsibilities of directors and, in light of these standards, determine what constitutes appropriate due diligence on the part of the Board and establish procedures to meet that level of due diligence;

(ii) review the Company's environmental policies and procedures having regard to legislative, regulatory and industry standards;

(iii) satisfy itself that management has initiated management information systems to implement and maintain such policies and make recommendations to the Board where deemed appropriate;

(iv) review and approve management's Environmental Compliance Reports and Litigation Reports; and

(v) review and enquire into occurrence reports received from management and/or the Ministry of the Environment and Climate Change.

Whistleblower Procedures

The Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received, including those related to actual or alleged fraud and illegal acts, shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Committee Chair to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the Company's Secretary to reach a satisfactory conclusion.

Audit Committee Disclosure

The Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

Delegation

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

5. Conflicts of Interest

The Committee shall review the Company's policies relating to the avoidance of conflicts of interest as may be necessary or desirable under the Applicable Requirements. The Committee shall consider the results of any review of these policies and procedures by the Company's external auditors.

6. Outside Advisors

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Company, with notice to either the Chair of the Board, the Lead Director (if applicable) or the Chief Executive Officer of the Company, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate, from a source independent of management, any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

7. No Rights Created

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Company's articles and by-laws, it is not intended to establish any legally binding obligations.

8. Charter Review

The Committee shall review and update this Charter annually and, in conjunction with the review and recommendations of the Corporate Governance and Nominating Committee regarding same, present the updated Charter to the Board for approval.