FIRAN TECHNOLOGY GROUP CORPORATION

2019 AUDITED ANNUAL REPORT

CEO Message

2019 saw another large step forward in operating results and another successful acquisition at FTG.

We went into 2019 with a number of key actions including continuing to drive growth across all market sectors, improving operating metrics at all sites, investing in technology for future growth and completing an acquisition in line with our strategic objectives.

As we finish the year and look back on our accomplishments we did make progress on all strategic actions. We did achieve growth for the year. After normalizing 2018 sales to adjust for reduced revenue on the C919 program development phase of $5M, sales in 2019 grew 8%, and this is in the face of a significant cyber-attack in Q4 that negatively impacted our 2019 sales.

Operating metrics did improve across the company in 2019. Five of our now 7 sites saw improved financial results in the year. Most importantly we did have improvements in our Chatsworth facilities that had been challenged with the integration of our acquisitions of PhotoEtch and Teledyne PCT. And again the improvements were achieved even in the face of our cyber-attack in Q4.

A key element of FTG's strategy is our focus on Operational Excellence. Starting in 2018, continuing in 2019 and beyond, are developing an FTG Operating System, based on best practices from inside and outside FTG, to ensure consistent operating performance at all sites. This multi-year initiative will be a strategic strength for the company and one that is critical to the success of existing and future FTG sites.

Regarding technology, again progress was made. In our Circuits business we were looking to investigate additive manufacturing processes and implement automation. By year end we had a robotic system incorporating some Industry 4.0 technology in our Circuits Toronto plant and two more systems were underway. In additive manufacturing we received a new technology soldermask system by year end and are working to fully qualify it for production in 2020. In our Aerospace business our goal was to increase our activity with active displays and key progress was made by year end.

As announced, we completed the acquisition of Colonial Circuits in July. The company is based in Fredericksburg Virginia. The strategic objectives for this acquisition include obtaining a footprint on the US East Coast – an important Aerospace and Defense market, adding capacity – to enable the offloading of some product from our Toronto facility which is near capacity, and improving FTG's offering of standard product to the US defense market – as our Chatsworth facility, while in the US, is focused on specialty products. The acquisition is immediately accretive to FTG's results.

Across the company we were very pleased with our accomplishments and our improved financial results. Our profits were up, our EBITDA achieved our targeted levels after the acquisitions, and our cashflow remained strong. After all our investments in R&D, capital equipment and our acquisition of Colonial, we ended the year with over $2M in net cash. This positions us well for future investments and growth.

Looking forward, the Aerospace and Defense markets remain strong overall. But there are areas of concern that we are monitoring. These include the issues at Boeing regarding their 737 MAX aircraft and their stop in production, and the ongoing trade disputes and increasing tariffs between countries. But we continue to see organic growth opportunities across FTG. Our global footprint is a positive factor towards future growth. There are also acquisition opportunities that could be of interest if they align with our product focus, and add strategic value.

Sincerely,

Brad Bourne
President and CEO

February 13, 2020

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

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

This Management's Discussion and Analysis ("MD&A") for the year ended November 30, 2019 (fiscal 2019) is as of February 13, 2020 and provides information on the operating activities, performance and financial position of Firan Technology Group Corporation ("FTG" or the "Corporation") and should be read in conjunction with the audited consolidated financial statements of the Corporation for fiscal 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form dated February 13, 2020, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

CORE BUSINESS AND STRATEGY

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

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

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the Global marketplace. Currently, FTG Circuits has manufacturing operations in Canada (Toronto, Ontario), USA (Chatsworth, California, and Fredericksburg, Virginia), as well as a joint venture and sourcing arrangements with operating facilities in China. In July, 2019, FTG acquired Colonial Circuits, Inc., which has been subsequently renamed FTG Circuits Fredericksburg Inc. ("Colonial" or "Circuits Fredericksburg"). FTG Circuits' customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada, Chatsworth, California, USA. and Tianjin, China, and an engineering office in Fort Worth, Texas, USA. 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.

For the past number of years, FTG has had a strategic goal of expanding its operations in both the operating segments. In FTG's printed circuit board business represented by the FTG Circuits operating segment, many of its customers now look at FTG as an important part of their global sourcing plans and this has led to growth in the business. In FTG's cockpit product business represented by the FTG Aerospace operating segment, FTG has seen similar positive reactions from customers and again this is leading to increased opportunities.

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, reducing its exposure to the ever changing value of the Canadian dollar, and becoming a more strategic supplier to many of its customers. FTG has become a truly global company with revenues coming from all geographic regions of the world and our current strategy is to

increase the utilization and operational leverage of those facilities and realize the significant margin expansion opportunities as fixed costs are already in place.

A key element of FTG's strategy has been its continued focus on Operational Excellence. This has led to improved performance across the Corporation. By weaving *Operational Excellence* into its day-to-day operations, FTG continues to create a corporate culture where quality products, on time delivery and customer service are the paramount forces driving the Corporation forward.

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

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

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

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

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

BUSINESS HIGHLIGHTS

FTG accomplished many goals in 2019 that continue to improve the Corporation and position it for the future, including:

- Received Canadian Technical Standard Order (TSO) approval for a Cursor Control Device enabling FTG to begin production of this product, which has been under development over the past 3 years.
- On July 15, 2019, FTG successfully closed the acquisition of Colonial Circuits Inc., in Fredericksburg, Virginia.
- Achieved sales from Colonial of approximately $3,600 from July to November.
- Began the certification process for the Fredericksburg facility to the Aerospace AS9100 certification with completion planned for early 2020, opening up significant new market opportunities for that site.
- Worked with key suppliers to achieve material cost savings for the Fredericksburg site, in line with costs at other existing FTG sites.
- In November, FTG reached agreement with its represented staff at FTG Aerospace Toronto. The contract is for four years, with improvements in benefits and wages in line with typical collective agreements in Ontario this year.

FOURTH QUARTER

The following table provides the operating results for the fourth quarter of fiscal years 2019 and 2018:

	Three months ended	
(in thousands of Canadian dollars, except per share amounts)	**November 30, 2019**	November 30, 2018
Sales	**$ 27,075**	$ 28,013
Cost of sales		
Cost of sales	**20,224**	20,001
Depreciation of plant and equipment	**981**	748
Total cost of sales	**21,205**	20,749
Gross margin	**5,870**	7,264
Expenses		
Selling, general and administrative	**3,004**	3,603
Research and development costs	**1,339**	1,375
Recovery of investment tax credits	**(260)**	(283)
Depreciation of plant and equipment	**40**	35
Amortization of intangible assets	**301**	266
Interest expense on bank debt	**54**	99
Stock based compensation	**27**	74
Foreign exchange loss	**253**	89
Total expenses	**4,758**	5,258
Earnings before income taxes	**1,112**	2,006
Current income tax expense	**1,181**	698
Deferred income tax (recovery) expense	**(677)**	71
Total income tax expense	**504**	769
Net earnings	**$ 608**	$ 1,237
Attributable to:		
Non-controlling interest	**$ 33**	$ 11
Equity holders of FTG	**$ 575**	$ 1,226

Sales

Sales for the fourth quarter of fiscal 2019 were $27,075, a decrease of $938 or 3.3% from the fourth quarter of fiscal 2018. The significant variances in fourth quarter sales in 2019 as compared to 2018 were as follows:

- The Circuits Fredericksburg operation, acquired in July, 2019, contributed approximately $2,400 of sales in its first full quarter as part of the FTG Circuits business segment.
- Shipments of products for the Simulator market, which is an important product line of the FTG Aerospace segment, were approximately $3,000 lower in the fourth quarter of 2019 as compared to the prior year. Previous orders were completed and new orders could not be assembled until the arrival of longer lead components. With a current backlog of orders amounting to $8,500, Simulator revenues are expected to recover in late Q2 or through the second half of fiscal 2020.
- In September 2019, FTG was the subject of a cyber-attack that impacted all sites in North America, except the recently acquired business in Fredericksburg, Virginia. The affected sites lost production from a few days to a few weeks. The lost production delayed deliveries to customers, resulting in a negative impact to sales of approximately 10% of the quarterly run-rate for the impacted sites.

Net Earnings

The net earnings for the fourth quarter of fiscal 2019 were $608 which included net earnings of $575 attributable to equity holders of FTG and net earnings of $33 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2019 attributable to equity holders of FTG translated into basic and diluted earnings per share of $0.03.

The net earnings for the fourth quarter of fiscal 2018 were $1,237 which included net earnings of $1,226 attributable to equity holders of FTG and net earnings of $11 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2018 attributable to equity holders of FTG translated into basic and diluted earnings per share of $0.05.

Cash Flow

Operating Activities

Cash provided by operating activities during the fourth quarter of fiscal 2019 amounted to $3,430 compared to cash provided of $6,594 for the fourth quarter of 2018. The changes in 2019 were primarily driven by a decrease in net earnings and changes in operating working capital. The changes in 2018 were primarily driven by an increase in net earnings and changes in operating working capital.

Investing Activities

Investing activities during the fourth quarter of fiscal 2019 resulted in the use of cash of $636 which included $684 for capital expenditures, $5 for additions to contract and other costs, offset by $53 for proceeds from disposal of plant and equipment. Investing activities during the fourth quarter of fiscal 2018 resulted in the use of cash of $1,390 which included $1,334 for capital expenditures, $83 for additions to contract and other costs, offset by $27 for proceeds from disposal of plant and equipment. Lower capex spending in the fourth quarter of 2019 as compared to the prior year quarter is due to the timing of equipment delivery from suppliers.

Financing Activities

Cash used by financing activities during the fourth quarter of fiscal 2019 amounted to $505 for repayments of bank debt. Cash used by financing activities during the fourth quarter of fiscal 2018 amounted to $3,111 which included a decrease in bank indebtedness of $2,611 and repayments of bank debt of $500.

RESULTS OF OPERATIONS FOR THE 2019 FISCAL YEAR

(thousands of dollars except per share amounts)	**2019**	2018
Sales	**$ 112,653**	$ 109,420
Gross margin	**30,264**	25,262
Net earnings to equity holders of FTG	**6,058**	2,875
Number of Common and preferred shares, in aggregate (in thousands)	**24,491**	24,491
Net earnings per share – basic	**$0.27**	$0.13
Net earnings per share –diluted	**$0.25**	$0.12
Total assets	**73,377**	71,136
Net, cash (bank debt) position	**$ 2,231**	$ (2,397)

Sales

For FTG, overall sales increased by $3,233 or 3.0% in 2019 as compared to the prior year. Adjusting for reduced revenue of approximately $5,000 in the development phase of the C919 program in 2019 relative to 2018, the increase in sales is $8,233 or 7.9%. The acquisition of the FTG Circuits Fredericksburg business, which closed July 15, 2019, contributed approximately $3,600 to 2019 sales. Also contributing to the growth was the weakening of the Canadian dollar in comparison to the U.S. dollar in 2019 compared to the prior year, which added approximately $3,000 to annual sales. As noted in the fourth quarter discussion, the cyber-attack also negatively impacted sales for the full year.

Net sales during fiscal 2019 also included an impact of net realized foreign exchange ("f/x") loss of $387 (fiscal 2018 included a gain of $45) on foreign exchange forward contracts ("f/x forward contracts"). These contracts were designated as cash flow hedges during the year ended November 30, 2019, which reduced sales and profitability in fiscal 2019 as compared to increase in sales and profitability in the last year.

The following table compares net sales by reportable segment for fiscal 2019 and 2018.

(thousands of dollars)	**2019**	2018
Circuits	**$ 71,442**	$ 64,087
Aerospace	**41,211**	45,333
Net sales	**$ 112,653**	$ 109,420

Net sales in the Circuits segment increased by $7,355 or 11.5% as a result of the Circuits Fredericksburg acquisition in the third quarter of fiscal 2019 which contributed $3,616 in sales and higher volumes with core aerospace and defense customers, which was partially offset by delayed shipments following the cyber-attack.

The decrease in Aerospace segment net sales of $4,122 or 9.1% includes revenue impact of approximately $5,000 in the development phase of the C919 program in 2019 relative to 2018, as well as the impact of the cyber-attack in September 2019, which was partially offset by growth on several programs.

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

(thousands of dollars)	**2019**	**%**	2018	%
Canada	**$ 9,346**	**8.3**	$ 11,250	10.3
United States	**83,102**	**73.8**	75,231	68.7
Asia	**15,266**	**13.6**	17,589	16.1
Europe	**3,721**	**3.3**	4,299	3.9
Other	**1,218**	**1.0**	1,051	1.0
Total	**$ 112,653**	**100.0**	$ 109,420	100.0

As a result of decreased activity at some key customers, net sales in Canada decreased by $1,904 or 16.9% as compared to last year, net sales in Asia decreased by $2,323 or 13.2% and net sales in Europe decreased by $578 or 13.4% mainly as a result of variation in customer production rates. Net sales in the United States were higher by $7,871 or 10.5%, in part due to the acquisition of the Circuits Fredericksburg business, which has a U.S. customer base, and also as a result of increased activity with US based aerospace and defense customers.

The Corporation's top five customers represent 53.9% of net sales for fiscal 2019 as compared to 48.1% in last year. The Corporation's two largest customers accounted for 22.5% (16.6% in 2018) and 9.6% (10.5% in 2018) of net sales for fiscal 2019. The increased concentration of revenue with top customers is the result of aerospace and defense industry consolidation, which resulted in our largest customer merging with another customer representing 3.4% of 2019 sales.

Net Segment Sales

FTG Circuits Segment

Net sales for the FTG Circuits segment during fiscal 2019 were $71,442, which represented an increase of $7,355 or 11.5% from last year. The increase in this segment in fiscal 2019 compared to last year included an increase of $3,616 as a result of the Colonial acquisition in the third quarter of fiscal 2019, and increase in net sales of $4,652 at the Toronto Circuits facility which continued to experience significant organic growth and productivity gains, offset by decrease in net sales of $759 and $154 at its Circuits Chatsworth and Tianjin facilities, respectively, mainly due to operational issues which resulted in lower throughput as compared to the same period last year.

Net sales to the top five customers represented 68.1% of the FTG Circuits net segment sales for fiscal 2019 (57.0% in 2018).

A realized loss of approximately $290 due to f/x forward contracts (net realized gain of approximately $34 in 2018) was realized by the Circuits segment in fiscal 2019.

FTG Aerospace Segment

Net sales for the FTG Aerospace segment for fiscal 2019 were $41,211, a decrease of $4,122 or 9.1% from last year. This includes a decrease in net sales of $4,185 at the Toronto Aerospace facility largely attributable to reduced revenue of approximately $5,000 on the C919 program as noted above, and decrease in net sales of $544 at its Aerospace Chatsworth which was mainly due to operational issues and reduced shipments as a result of temporary component shortages experienced in that facility, which resulted in lower throughput as compared to last year, offset by increase in net sales of $607 at its Aerospace Tianjin facility, which continued the growth from last year.

Net sales to the top five customers represented 51.6% of the FTG Aerospace net segment sales for fiscal 2019 (62.6% in 2018).

A realized loss of approximately $97 due to f/x forward contracts (net realized gain of approximately $11 in 2018) was realized by the Aerospace segment in fiscal 2019.

The Corporation continues to believe that the long-term fundamental market demand for its products remains strong and will continue to focus its efforts in these niche military and aerospace markets. With its enhanced global footprint and the ability to offer a low cost Asian content, the Corporation is in a strong position to continue to serve its customer base and focus on the key worldwide opportunities.

Gross Margin

Gross margin on a consolidated basis increased by $5,002 or 19.8% for fiscal 2019 to $30,264 or 26.9% of net sales compared to $25,262 or 23.1% of net sales for last year. The increase in gross margin percentage is the result of improving operational efficiency across the Corporation and increased volume without a corresponding increase in fixed costs. Gross margins were negatively impacted in the fourth quarter as a result of lower productivity following the cyber-attack.

The Corporation continues to see the results of its focus on improvements to gross margin and bottom line experiencing progressively better gross margin percentages in the last seven quarters.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for fiscal 2019 were $13,732 or 12.2% of net sales as compared to $13,333 or 12.2% of net sales for last year. The increase of $399 in SG&A expense during fiscal 2019 is due to the partial year impact of added headcount at the Circuits Fredericksburg site acquired in July 2019, as well as transaction costs of $153.

Included in SG&A for fiscal 2019 are cyber-attack expenses of $168 as compared to $nil for last year. In September 2019, FTG was the subject of a cyber-attack that impacted FTG's systems across North America, excluding Fredericksburg. Following this event, FTG engaged experts to determine the methodology used in the attack and steps to be taken to reduce the chances, and impact, of future attacks. Contractors were also utilized to assist our internal information technology resources to restore IT networks and systems. Accelerated investments in network equipment, secure backup processes and systems and cyber-security readiness are in process for early 2020.

Research and Development Costs

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

R&D costs for fiscal 2019 were $4,846 or 4.3% of net sales as compared to $4,740 or 4.3% of net sales for last year. This represents an increase of $106 or 2.2% in fiscal 2019 compared to last year. R&D costs were higher mainly due to increased focus on process and product improvements, automation, technology and special materials.

In addition, in fiscal 2019, the Corporation capitalized net contract costs of $3 (2018 - $124) which included $3 (2018 - $82) related to the development of the Cursor Control Device and $nil (2018 - $42) related to other development programs.

Recovery of Investment Tax Credits

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. During fiscal 2019, the Corporation continues to demonstrate the future utilization of its investment tax credits in Canada which was based on additional positive evidence including a recent history of positive earnings and projections of future Canadian taxable income.

The Corporation has, as at November 30, 2019, $3,035 (November 30, 2018 - $4,620) of Canadian investment tax credits available to be applied against future income taxes payable in Canada. The net tax benefit of $669 of these investment tax credits have been recognized as a recovery during the year ended November 30, 2019 (2018 - $1,016).

Depreciation of Plant and Equipment

Depreciation of plant and equipment for fiscal 2019 was $3,764, an increase of $615 or 19.5% as compared to depreciation of $3,149 for last year. The increase in depreciation during fiscal 2019 includes $192 related to the Circuits Fredericksburg operation that was not present in the last year and the remaining increase of $423 for fiscal 2019 as compared to last year was mainly due to the timing of capital expenditures being put into service and the effect of changes in the f/x rates for assets held by FTG's US operations.

Amortization of Intangible Assets

Amortization of intangible assets for fiscal 2019 was $1,128, an increase of $79 or 7.5% as compared to amortization of $1,049 for last year. The increases in amortization included $48 related to the acquisition of the Circuits Fredericksburg business that was not present in the last year and the remaining increase of $31 was due to the effect of changes in the f/x rates for the intangibles held in FTG's US divisions.

Interest Expense

In fiscal 2019, interest costs were $290, a decrease of $231 or 44.3% as compared to $521 for last year. The decrease in interest expense in fiscal 2019 was mainly due to the decrease in net bank debt as compared to last year.

Foreign Exchange Loss (Gain)

The foreign exchange loss for fiscal 2019 was $785 compared to a foreign exchange (gain) of ($75) for last year. The foreign exchange loss for fiscal 2019 was mainly as a result of a net loss of $759 (2018 – (gain) of ($15)) on the re-valuation of the US dollar assets and liabilities on the respective consolidated statements of financial position and net realized loss of $26 (2018 – (gain) of ($60) on foreign exchange contracts). In fiscal 2019, there was a foreign exchange loss as compared to a foreign exchange (gain) for last year mainly due to the variance in average and year-end Canadian dollar as compared to US dollar exchange rates. The year-end Canadian dollar as compared to US dollar exchange rate decreased by approximately 0.0012 or 0.09% from 1.3301 as at November 30, 2018 to 1.3289 as at November 30, 2019 as compared to an increase of approximately 0.0413 or 3.2% from 1.2888 as at November 30, 2017 to 1.3301 as at November 30, 2018.

In fiscal 2019, a net realized loss of $387 was recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges; this compares to a net realized gain of $45 recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges in fiscal 2018. The table below includes the effect of the net realized gain (loss) on foreign exchange forward contracts on net sales.

(thousands of dollars)	**2019**	2018
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**$ 113,040**	$ 109,375
Less: adjustment for net realized (loss) gain on hedged f/x forward contracts designed as cash flow hedges	**(387)**	45
Net sales	**112,653**	109,420
Costs of sales	**78,788**	81,143
Depreciation of plant and equipment	**3,601**	3,015
Total cost of sales	**82,389**	84,158
Gross margin	**30,264**	25,262
Gross margin %	**26.9%**	23.1%
Gross margin before f/x (loss) gain	**$ 30,651**	$ 25,217
Gross margin % before f/x (loss) gain	**27.1%**	23.0%

Income Tax Expense (Recovery)

During the year ended November 30, 2019, current income tax of $4,296 (2018 – current income tax of $3,230) was recognised in the consolidated statement of earnings which includes current income tax expense of $4,191 (2018 - $3,159) related to income tax on earnings in the Canadian entity, and expense of $32 (2018 - $9) related to taxes for the U.S. subsidiaries, and withholding taxes of $73 (2018 – $62) related to source deductions on remittances from the Chinese subsidiary to the Corporation. During the year ended November 30, 2019, net deferred income tax (recovery) of ($550) was recognised in the consolidated statement of earnings which included deferred income tax (recovery) of ($729) related to movement in deferred income tax assets and investment tax credits receivable, offset by deferred income tax expense of $179 related to the tax effect of recovery of investment tax credits. During the year ended November 30, 2018, net deferred income tax expense of $185 was recognised in the consolidated statement of earnings which included deferred income tax expense of $25 related to movement in deferred income tax assets and investment tax credits receivable, and the remaining deferred income tax expense of $160 related to the tax effect of recovery of investment tax credits.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the year ended November 30, 2019 was 25% (2018: 25%) which was based on projected annualized Manufacturing and Processing rates.

Net Earnings

The net earnings for fiscal 2019 were $5,982 which included net earnings of $6,058 attributable to equity holders of FTG, offset by net loss of $76 relating to non-controlling interests. The net earnings for fiscal 2019 attributable to equity holders of FTG translated into basic earnings per share of $0.27 and diluted earnings per share of $0.25.

The net earnings for fiscal 2018 were $2,865 which included net earnings of $2,875 attributable to equity holders of FTG, offset by net loss of $10 relating to non-controlling interests. The net earnings for fiscal 2018 attributable to equity holders of FTG translated into basic earnings per share of $0.13 and diluted earnings per share of $0.12.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS
(thousands of dollars except per share amounts and exchange rates)

	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	**Q4-19**
Circuit Segment Sales	$14,134	$16,196	$16,395	$17,362	$15,207	$19,265	$18,336	**$18,634**
Aerospace Segment Sales	13,394	12,682	8,606	10,651	10,183	12,970	9,617	**8,441**
Total Net Sales	27,528	28,878	25,001	28,013	25,390	32,235	27,953	**27,075**
Earnings before income taxes	333	2,367	1,574	2,006	1,980	3,798	2,838	**1,112**
Net Earnings (Loss) Attributable to Equity holders of FTG	(293)	1,295	647	1,226	1,218	2,482	1,783	**575**
Earnings (loss) per share: Basic	($0.01)	$0.06	$0.03	$0.05	$0.05	$0.11	$0.08	**$0.03**
Earnings (loss) per share: Diluted	($0.01)	$0.05	$0.03	$0.05	$0.05	$0.10	$0.07	**$0.03**
Quarterly average CDN$ U.S.$ exchange rates	$1.2598	$1.2847	$1.3106	$1.3011	$1.3322	$1.3401	$1.3214	**$1.3223**

The Corporation was profitable during all prior eight quarters of fiscal 2019 and 2018 except first quarter of fiscal 2018.

The Corporation's net sales over the last eight quarters continue to be derived from major technological and market leaders in the aviation, defence and other high technology industries, each following their own cycles. The principal markets served over the last eight quarters continue to be the commercial aerospace and military markets primarily in Canada and the United States, though FTG continues to increase its activity in Europe and Asia.

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

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2019, the Corporation's primary sources of liquidity totalled $51,154 ($48,545 as at November 30, 2018), made up of cash, accounts receivable, contract assets, taxes recoverable and inventory but excluding US$9,000 (or equivalent in Canadian dollars) of availability remaining on its revolving line of credit and approximately US$2,700 (or equivalent in Canadian dollars) of availability remaining on its revolving term loan with its primary lender as at November 30, 2019. Working capital at November 30, 2019 was $28,603 as compared to $28,686 at November 30, 2018.

Outstanding bank debt of $5,416 has been classified as a current liability, and hence a reduction of working capital, as the Corporation's 5 year bank facility agreement expires in November 2020. FTG expects to finalize a new banking facility in early 2020, on terms which are comparable to the current one.

Accounts receivable days outstanding were 70 as at November 30, 2019 compared to 59 as of November 30, 2018; inventory turns were 3.7 as at November 30, 2019 as compared to 3.2 as of November 30, 2018, and accounts payable days outstanding were 81 as at November 30, 2019 as compared to 78 as of November 30, 2018. All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets.

The Corporation was in compliance with all of its financial loan covenants as at November 30, 2019.

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

The following table outlines the contractual obligations of the Corporation as at November 30, 2019.

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE IN $000'S					
	Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Bank debt [1,2]	5,428	5,428				
Accounts payable and accrued liabilities, and provisions	18,050	18,050	-	-	-	-
Contract liabilities	216	216	-	-	-	-
Income tax payable	639	639	-	-	-	-
Operating Leases	9,645	2,141	1,748	1,469	1,296	2,991

1 Bank debt includes a $12 offset for deferred financing charges.

2. Bank debt is presented as a First Year obligation as a result of the expiry of the current bank facility agreement in 2020. The Corporation expects to reschedule a portion of these obligations to subsequent years, upon concluding a new bank facility agreement.

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges. The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2019. The forward current value (fair value) of these financial instruments as at November 30, 2019 had an net unrealized loss of $2,234 (an unrealized loss on foreign exchange forward contracts of $2,127, and an unrealized loss on gold forward contracts of $30, and an unrealized loss on interest rate swaps of $77, and included in other comprehensive income (loss), net of $558 in tax,

and relates to derivatives designated as cash flow hedges. The forward current value (fair value) of these financial instruments as at November 30, 2018 had an net unrealized loss of $1,591 (an unrealized loss on foreign exchange forward contracts of $1,627, and an unrealized loss on gold forward contracts of $76, offset by an unrealized gain on interest rate swaps of $112, and included in other comprehensive income (loss), net of $398 in tax, and relates to derivatives designated as cash flow hedges.

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized gain of $1 (November 30, 2018 – unrealised gain of $28) which is included in other comprehensive income (loss) and prepaid expenses.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized gain of $10 (November 30, 2018 - unrealized gain of $91) which is included in other comprehensive income (loss) and prepaid expenses.

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized (loss) of ($48) (November 30, 2018 - unrealized (loss) of ($1) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized (loss) of ($40) (November 30, 2018 - unrealized (loss) of ($6) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

In 2019, the Corporation invested $5,512 in net capital expenditures which included $2,443 of machinery and equipment acquired as a result of the Colonial business acquisition and the remaining $3,069 which mainly included soldermask inkjet system machine, replace section of roof at its Circuits Toronto facility, laser machine, photometer, spectrometer system, new network switches and servers, ETQ-quality management system suite software, various upgrades to machinery and equipment and leasehold improvements at its existing facilities.

For fiscal 2018, the Corporation invested $3,021 in net capital expenditures which mainly included a hybrid laser machine, robotic systems, an advance microscope, a solder mask developer, a PTH and grinding machine; replacement LED lighting and various upgrades to machinery and equipment and leasehold improvements at its existing facilities.

CASH FLOW

Operating Activities

Operating activities in fiscal 2019 provided net cash of $11,907 as compared to net cash inflow of $11,769 in fiscal 2018. The primary year over year variances in cash flow from operating activities are a $3,117 increase in net earnings, which is offset by timing impacts within the individual components of non-cash working capital. In 2018, timing factors within accounts payable and accrued liabilities, and provisions contributed $3,322 to cash flow, whereas the comparable amount for 2019 is $410.

Investing Activities

Investing activities in fiscal 2019 resulted in the net use of cash of $6,844 which included $3,069 for capital expenditures, $3,817 for the acquisition of Colonial, $11 towards additions to contract and other costs, offset by $53 for proceeds from disposal of plant and equipment.

Investing activities in fiscal 2018 resulted in the net use of cash of $2,848 which included $3,021 for capital expenditures, offset by net recovery of $143 for contract and other costs, and $30 for proceeds from disposal of plant and equipment.

Financing Activities

Cash used by financing activities in fiscal 2019 resulted in a cash outflow of $2,031 towards repayments of bank debt.

Cash used by financing activities in fiscal 2018 resulted in a cash outflow of $7,063 which included a decrease in bank indebtedness of $6,444, and repayments of bank debt of $1,928, offset by proceeds from bank debt of $1,289, and proceeds from issue of common shares on exercise of share options of $20.

RELATED PARTY TRANSACTIONS

There were no related party transactions during fiscal 2019 and 2018.

FINANCIAL RISK MANAGEMENT

Disclosures regarding the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk and how the Corporation manages those risks can be found under the heading "Financial Instruments" in Note 17 of the consolidated financial statements as at November 30, 2019 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures.*

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which are outstanding a series of convertible preference shares, Series 1 (the "Preferred Shares"). As at November 30, 2019, the Corporation had outstanding 22,716,201 Common Shares and 1,775,000 Preferred Shares. The Preferred Shares are convertible into Common Shares on a one-for-one basis. Each Common Share and Preferred Share carries the right to one vote. Holders of Preferred Shares are entitled to a preference over holders

of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and shall be entitled to receive an amount equal to $2.50 per Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

During the year ended November 30, 2019, nil (2018 – 40,000) share options were exercised. There were no share options granted during the year ended November 30, 2019 and November 30, 2018. There were nil share options outstanding and exercisable as at November 30, 2019 and November 30, 2018. During the year ended November 30, 2019, the Corporation granted 22,500 performance share units ("PSUs") (2018 – nil), of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. As at November 30, 2019, 184,444 of the 206,944 outstanding PSUs had vested/ exercisable (As at November 30, 2018, nil of the 187,361 outstanding PSUs had vested/exercisable). The outstanding common shares at the year ended November 30, 2019 were 22,716,201 (22,676,201 as at November 30, 2018).

ACQUISITION OF COLONIAL CIRCUITS INC.

On July 15, 2019, the Corporation acquired all of the outstanding shares of Colonial Circuits Inc. ("Colonial"), for a consideration of US $2,927 or $3,817, net of cash acquired. The acquisition price was paid in cash. This transaction has significant strategic benefit to the Corporation as it is expected to complement FTG's existing facilities, add capacity to the Corporation's circuit segment, allow for rebalancing of production amongst facilities and increase FTG's market share through new technological offerings and new customers.

The Colonial acquisition was accounted for by the Corporation as a business combination under IFRS 3. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

Included in the consolidated statement of earnings are revenues of approximately $3,600 and earnings before income taxes of approximately $400 related to the Colonial acquisition for the period from July 15, 2019 to November 30, 2019. If the transaction had taken place on December 1, 2018, revenues and earnings before income taxes would have been approximately $8,400 and $300, respectively related to the Colonial acquisition.

The transaction costs associated with the acquisition totaling $153 were expensed during the year ended November 30, 2019 and is included in selling, general and administrative expenses.

Acquired identifiable intangible assets include customer relationships, non-compete agreement, technology, access to markets, certifications and new products in circuits, which are being amortized over a period of 5 years.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

	Colonial
Total purchase price:	
Cash paid for acquisition	**$4,281**
Total purchase price to allocate	**$4,281**
Fair value of assets acquired and liabilities assumed:	
Cash	**$464**
Accounts receivable	**862**
Inventories	**704**
Prepaid expenses	**29**
Plant and equipment	**2,443**
Intangible assets	**626**
Accounts payable and accrued liabilities	**(581)**
Deferred income tax liability, net	**(266)**
Net assets acquired	**$4,281**

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 13, 2020 which is available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Expected credit losses

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

Allowance for inventory obsolescence

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

Taxes and deferred taxes

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

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

Useful lives of plant and equipment

The Corporation estimates the useful lives of plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of plant and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the plant and equipment would decrease the recorded expenses and increase the non-current assets.

Impairment and valuation of non-financial assets

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

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

Warranties

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

Business combinations

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

New and Amended International Financial Reporting Standards

The Corporation has adopted IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) and IFRS 9 *Financial Instruments* (“IFRS 9”) in the current year. The effect of adopting IFRS 15 did not have any material impact on the consolidated statements of financial position, consolidated statement of earnings, and consolidated statement of comprehensive income for the year ended November 30, 2019. There was no material impact on the consolidated statement of cash flows. The Corporation has determined that the adoption of the IFRS 9 standard did not result in any material impact on the financial statements of the Corporation.

Refer to Note 4 of the consolidated financial statements as at November 30, 2019 for additional details of the accounting pronouncements issued by the IASB which were not effective for the Corporation as of November 30, 2019 and therefore have not been applied in preparing the consolidated financial statements. The Corporation intends to adopt these standards, when they become effective.

ETHICAL BUSINESS CONDUCT

The Corporation has a written code of conduct for Directors, Officers and employees (the “Policy of Business Conduct”) and a “Whistle Blowing Policy”, which are each available on www.sedar.com. The

Board monitors compliance with the Policy of Business Conduct through an annual review and sign off procedure from all of its Directors, Officers and employees.

OUTLOOK

The aerospace and defense markets have a number of important segments, each of which can follow their own cycles.

Order backlog at the large air transport manufacturers, Boeing and Airbus, remain near record levels. The single aisle aircraft segment, such as the Boeing 737 MAX and the Airbus A320, represents about 75% of the total backlog. In the short term, Boeing's technical challenges with the 737 MAX, and their decision to stop production for an undefined period of time, is creating significant uncertainty in the market. At the same time, in 2019 Airbus increased their production rate and achieved record shipments. There are also new products being introduced into this market for single aisle aircraft which will potentially create new supply opportunities for lower tier suppliers. These new entrants include the Airbus A220, which has entered into service, and China's C-919 aircraft, both of which are important for FTG. The A220 has seen a strong increase in orders since Airbus' involvement in the program. The location of the end customer has shifted within the commercial aircraft market over the last decade, with a higher percentage of customers located in Asia and lower percentages from North America and Europe. This is driving a demand for higher Far East content on each aircraft and this push is being seen through the whole supply chain. This has implications for FTG as the push for Far East content continues. This is coming from airframe manufacturers in the Western world, as well as new entrants from China and other Asian countries. Complicating this drive for Far East content is the ongoing trade disputes between China and the US, and the souring of relations between China and Canada. The long term impact of these events remains uncertain at this time.

The general aviation, business jet and regional jet industry segment experienced a market slowdown in the period 2015 to 2017, but had more stable production rates in 2018 and 2019. Market share for key OEMs has also changed over the past number of years with Bombardier, a key customer of FTG, exiting the Air Transport, regional jet and turbo prop markets with a series of divestitures in 2018 and 2019.

The commercial helicopter market saw significant production rate cuts in 2016 and 2017 as the resource industry cut back on exploration and operations. These cuts rippled through the full supply chain as the demand softened. Looking forward, it is anticipated that production rates will be stable in the short term and increase in line with a recovery in the resource industry.

In the defense market, spending remains strong, particularly in the US. In Canada, defense spending remains stable with a number of significant equipment acquisition programs underway. Canadian spending creates opportunities both directly and via procurement offset agreements with the equipment suppliers.

The Corporation also continues to significantly grow its sales within the Simulator market, with sales to this market exceeding 10% of total revenue in 2018 and 2019. This overall market is estimated at over USD 7.0 billion dollars annually. The key systems providers within this market are CAE, FlightSafety, Boeing, Rockwell, L-3, Lockheed and Thales. FTG's 2019 results included sales from five of these seven market leaders. Within this market, particularly on the defense side of the market, the timing of customer orders is less predictable. In FTG's 2019 results, Simulator related shipments were strong in the first 3 quarters and considerably weaker in the fourth quarter. Also in Q4 2019 compared to Q4 2018, shipments of products for the simulator market were down temporarily by approximately $3M as previous orders were completed and new orders could not be assembled until the arrival of longer lead components.

Simulator related revenues are expected to rebound in the second half of 2020, with order backlog of approximately $8,500 as of November 30, 2019.

For each market segment, there are positive and negative factors that could drive FTG's results going forward. These include overall demand, sourcing in Asia, FTG's capabilities, FTG's performance and increased competition to name a few. Overall, our global footprint is proving to be a valuable asset and as we continue to drive to improve our technical capabilities and our performance we will strive to grow our market share.

There are other economic factors, outside the aerospace and defense market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar could also be a factor as about 50-60% of FTG's operations are located in Canada but FTG competes primarily in U.S. dollars. Strengthening of the Canadian dollar would hurt FTG's competitiveness whereas a weakening of the Canadian dollar, as seen in the last few years, would enhance FTG's competitiveness. FTG is striving to mitigate this exchange rate risk by pursuing sales outside of the United States, having more facilities outside of Canada, including the facility acquired in Fredericksburg, Virginia in 2019 and increasing its supply chain outside of Canada.

The Corporation continues to focus on technologies necessary for the new programs and platforms. The Corporation does have content on most key new civil aviation programs such as the Boeing 787, the Airbus A350, the Airbus A220 and the Chinese C-919. The Corporation has a very wide product and technology offering in printed circuit boards. This enables the pursuit of more opportunities which is aligned with customers' goals of reducing their supply base and focusing spending on fewer suppliers. With the joint venture in China, FTG can offer Aerospace quality circuit boards from an Asian source. In cockpit products, FTG Aerospace has expanded into higher level assemblies, and this is opening up new opportunities. To address the demand for higher Far East content, FTG has a wholly owned operation in Tianjin, China for cockpit products.

FTG continues to drive towards Operational Excellence in all operations. Most customers are actively measuring supplier performance and reward good results with increased opportunities. FTG is focused on exceeding customer expectations and competing on the basis of performance and technology.

Throughout 2019, our Chatsworth operations continued to focus on maintaining their high standards of quality and on-time delivery for legacy contracts and transitioned programs, while eliminating any remaining costs related to the transitions of work from PhotoEtch and Teledyne PCT.

Our Toronto Aerospace and Circuits operations continued to focus on servicing legacy contracts and growing FTGs customer base and product offerings organically. These efforts include automation, technological upgrades, researching new production techniques and sourcing of new materials and tools.

Our Chinese Aerospace division continued to concentrate on growing its existing customer base and product offerings. They have established a world class production facility with the requisite certifications and approvals and a top notch operations team. This allows FTG to offer all existing and new customers an established Chinese source for Aerospace panels and assemblies. This has led to some new exciting orders being booked with some of our key strategic customers both in China and in North America.

Our Chinese joint venture ("JV"), FTG Printronics Circuits continues to work on production process improvements and acquiring additional governmental approval for production in their outer layer production facility in Tianjin and obtaining additional customer qualifications.

The Corporation will continue to focus on controlling its infrastructure, material and labor costs to increase profitability, which has been successful in prior years.

In March 2019, the Corporation signed a definitive agreement to acquire all of the outstanding shares of a US based printed circuit board company. On July 5, 2019, FTG received approval for this acquisition from the Committee on Foreign Investment in the United States (CFIUS). The acquisition closed on July 15, 2019. Under the terms of the purchase agreement, the Corporation has acquired all of the outstanding shares of Colonial for a purchase consideration, net of cash acquired, for US $2,927 or Cdn. $3,817. The acquisition price was paid in cash on closing using funds from FTG's funds generated from its operations. Colonial had reported annual sales of US$5,400 to US$6,700 or Cdn. $7,179 to Cdn. $8,908 (equivalent) in its unaudited financial statements over the past few years. In December 2019, Colonial Circuits Inc. name was changed to FTG Circuits Fredericksburg Inc. This transaction has significant strategic benefit to the Corporation as it is expected to complement FTG's existing facilities, add capacity to the Corporation's circuit segment, allow for rebalancing of production amongst facilities and increase FTG's market share through new technological offerings and new customers.

In September 2019, FTG was the subject of a cyber-attack that impacted FTG's systems across North America. This had a negative impact on operations at FTG's North American sites in September. Each site was impacted differently with reduced operations ranging from a few days to a few weeks, depending on the impact to the site's infrastructure. Overall lost production is estimated at about 10% of quarterly sales. FTG worked with experts to determine the methodology used in the attack and steps to be taken to reduce the chances, and impact, of future attacks. Accelerated investments in network/system are underway to reduce the chances of such attacks in the future and to reduce the impact of future attacks.

FTG's China sites were not impacted by the cyber-attack in Q4. They are however being impacted by measures taken by the Chinese government in Q1 2020 to control the spread of the corona virus outbreak and are expected to lose approximately 10 days of production in the quarter.

CONTROLS AND PROCEDURES

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

Disclosure controls and procedures

An evaluation of the design of and operating effectiveness of the Corporation's disclosure controls and procedures was conducted as of November 30, 2019 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Corporation and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal control over financial reporting

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Corporation, that those 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 IFRS.

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

The CEO and CFO have, using the framework and criteria established by COSO, evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting and concluded that, as of November 30, 2019, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

During the fourth quarter ended November 30, 2019, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Caution Regarding Forward-Looking Statements

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

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

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general

economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; compliance with environmental laws; possibility of damage to manufacturing facilities as a result of unforeseeable events, such as natural disasters or fires; fluctuations in operating results; possibility of intellectual property infringement claims; demand for the products of FTG's customers; ability to obtain continued debt and equity financing on acceptable terms; ability of a significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Corporation's common shares and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; and government regulation and legislation and FTG's ability to successfully anticipate and manage the foregoing risks.

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

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

The MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to gross margin which represents net sales less cost of sales and expenses. Not included in the calculation of gross margin are selling, administrative and general expenses, research and development costs and recoveries, foreign exchange, gains or losses on the sale of assets, interest and income taxes. Gross margin is not generally accepted earnings measures and should not be considered as an alternative to net earnings or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Corporation's gross margin may not be directly comparable with similarly titled measures used by other companies. Management believes the gross margin measure is important to many of the Corporation's shareholders, creditors and other stakeholders. The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of February 13, 2020 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 13, 2020 which is available on SEDAR at www.sedar.com.

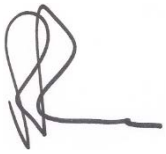
Consolidated Statements of Financial Position

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Firan Technology Group Corporation are the responsibility of management and have been reviewed by the Board of Directors of Firan Technology Group Corporation. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the Annual Report and has ensured that this information is consistent with the consolidated financial statements.
The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of consolidated financial statements.

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

The consolidated financial statements for fiscal 2019 and 2018 have been independently audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.



Bradley C. Bourne	James Crichton
President and Chief Executive Officer	Vice President, Chief Financial Officer and Corporate Secretary
February 13, 2020	February 13, 2020

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street
Suite 2200. P.O. Box 131
Toronto, ON M5K 1H1 Canada

Independent Auditor's Report

To the Shareholders of Firan Technology Group Corporation

Opinion

We have audited the consolidated financial statements of Firan Technology Group Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at November 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprise:

- the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report, and
- the information included in the Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended November 30, 2019.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis of Results of Operations and Financial Condition and Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael Crolla.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 13, 2020

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)		**November 30, 2019**		November 30, 2018
ASSETS				
Current assets				
Cash	**$**	**7,647**	$	5,026
Accounts receivable *(Note 17.2)*		**21,085**		18,051
Contract assets		**432**		645
Taxes recoverable		**-**		189
Inventories *(Note 7)*		**21,990**		24,634
Prepaid expenses		**1,770**		1,816
		52,924		50,361
Non-current assets				
Plant and equipment, net *(Note 8)*		**13,830**		12,078
Deferred income tax assets *(Note 15.1)*		**724**		732
Investment tax credits receivable *(Note 14.2)*		**3,035**		4,620
Deferred development costs		**279**		276
Intangible assets and other assets, net *(Note 9)*		**2,585**		3,069
Total assets	**$**	**73,377**	$	71,136
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**17,104**	$	16,278
Provisions *(Note 12)*		**946**		849
Contract liabilities		**216**		1,966
Current portion of bank debt *(Note 11.1)*		**5,416**		2,019
Income tax payable *(Note 15.1, Note 15.2)*		**639**		563
		24,321		21,675
Non-current liabilities				
Bank debt *(Note 11.1)*		**-**		5,404
Deferred tax payable *(Note 15.1)*		**1,297**		1,750
Total liabilities		**25,618**		28,829
Equity				
Retained earnings	**$**	**17,745**	$	11,687
Accumulated other comprehensive loss		**(1,554)**		(774)
		16,191		10,913
Share capital				
Common Shares *(Note 13.1)*		**19,323**		19,323
Preferred Shares *(Note 13.2)*		**2,218**		2,218
Contributed surplus *(Note 13.4)*		**8,933**		8,672
Total equity attributable to FTG's shareholders		**46,665**		41,126
Non-controlling interest		**1,094**		1,181
Total equity		**47,759**		42,307
Total liabilities and equity	**$**	**73,377**	$	71,136

See accompanying notes.

Approved on behalf of the board:

Director

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended **November 30, 2019**	November 30, 2018
Sales	**$ 112,653**	$ 109,420
Cost of sales		
Cost of sales *(Note 7, Note 19)*	**78,788**	81,143
Depreciation of plant and equipment *(Note 8)*	**3,601**	3,015
Total cost of sales	**82,389**	84,158
Gross margin	**30,264**	25,262
Expenses		
Selling, general and administrative *(Note 19)*	**13,732**	13,333
Research and development costs *(Note 14.1)*	**4,846**	4,740
Recovery of investment tax credits *(Note 14.2)*	**(669)**	(1,016)
Depreciation of plant and equipment *(Note 8)*	**163**	134
Amortization of intangible assets *(Note 9)*	**1,128**	1,049
Interest expense on bank debt *(Note 11.1)*	**290**	521
Stock based compensation *(Note 13.6)*	**261**	296
Foreign exchange loss (gain) *(Note 17.2)*	**785**	(75)
Total expenses	**20,536**	18,982
Earnings before income taxes	**9,728**	6,280
Current income tax expense *(Note 15.2)*	**4,296**	3,230
Deferred income tax (recovery) expense *(Note 15.1, Note 15.2)*	**(550)**	185
Total income tax expense	**3,746**	3,415
Net earnings	**$ 5,982**	$ 2,865
Attributable to:		
Non-controlling interest	**$ (76)**	$ (10)
Equity holders of FTG	**$ 6,058**	$ 2,875
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 13.5)*	**$ 0.27**	$ 0.13
Diluted *(Note 13.5)*	**$ 0.25**	$ 0.12

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Years ended **November 30, 2019**	November 30, 2018
Net earnings	**$ 5,982**	$ 2,865
Other comprehensive loss to be reclassified to net earnings in subsequent periods:		
Change in foreign currency translation adjustments	**(308)**	421
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges *(Note 17.1, Note 17.2)*	**(644)**	(1,873)
Change in tax impact *(Note 17.1, Note 17.2)*	**161**	468
	(791)	(984)
Total comprehensive income	**$ 5,191**	$ 1,881
Attributable to:		
Equity holders of FTG	**$ 5,278**	$ 1,914
Non-controlling interest	**$ (87)**	$ (33)

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

	Years ended November 30, 2019 and November 30, 2018							
	Attributed to the equity holders of FTG							
(in thousands of Canadian dollars)	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive loss	Total	Non-controlling interest	Total equity
Balance, November 30, 2017	**$ 19,295**	**$ 2,218**	**$ 8,812**	**$ 8,384**	**$ 187**	**$ 38,896**	**$ 1,214**	**$ 40,110**
Net earnings (loss)	-	-	2,875	-	-	2,875	(10)	2,865
Stock-based compensation *(Note 13.6)*	-	-	-	296	-	296	-	296
Common Shares issued on exercise of share options *(Note 13.1)*	28	-	-	(8)	-	20	-	20
Change in foreign currency translation adjustments	-	-	-	-	443	443	(23)	420
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact *(Note 17.1, 17.2, and Note 15.2)*	-	-	-	-	(1,404)	(1,404)	-	(1,404)
Balance, November 30, 2018	**$ 19,323**	**$ 2,218**	**$ 11,687**	**$ 8,672**	**$ (774)**	**$ 41,126**	**$ 1,181**	**$ 42,307**
Net earnings (loss)	**-**	**-**	**6,058**	**-**	**-**	**6,058**	**(76)**	**5,982**
Stock-based compensation *(Note 13.6)*	**-**	**-**	**-**	**261**	**-**	**261**	**-**	**261**
Change in foreign currency translation adjustments	**-**	**-**	**-**	**-**	**(297)**	**(297)**	**(11)**	**(308)**
Change in net unrealized loss on derivative financial instruments designated as cash flow hedges, net of *tax* impact *(Note 17.1, 17.2, and Note 15.2)*	**-**	**-**	**-**	**-**	**(483)**	**(483)**	**-**	**(483)**
Balance, November 30, 2019	**$ 19,323**	**$ 2,218**	**$ 17,745**	**$ 8,933**	**$ (1,554)**	**$ 46,665**	**$ 1,094**	**$ 47,759**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended **November 30, 2019**	November 30, 2018
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings (attributable to Equity holders of FTG)	**$ 5,982**	$ 2,865
Items not affecting cash:		
Stock-based compensation *(Note 13.6)*	**261**	296
(Gain) loss on disposal of plant and equipment	**(53)**	25
Effect of exchange rates on US dollar debt	**24**	284
Depreciation of plant and equipment *(Note 8)*	**3,764**	3,149
Amortization of intangible assets *(Note 9)*	**1,128**	1,049
Amortization of deferred financing costs	**12**	12
Investment tax credits/deferred income taxes *(Note15.1, Note 15.2)*	**1,546**	2,640
Investment tax credits recovery *(Note 14.2)*	**(669)**	(1,016)
Increase in net unrealized loss, decrease in net unrealized gain on derivative financial instruments designated as cash flow hedges *(Note 17.1, Note 17.2)*	**(483)**	(1,404)
Net change in non-cash operating working capital *(Note 16)*	**395**	3,869
	11,907	11,769
Investing activities		
Additions to plant and equipment *(Note 8)*	**(3,069)**	(3,021)
Acquisition of Colonial Circuits Inc., net of cash acquired *(Note 6)*	**(3,817)**	-
(Additions to) recovery of deferred development costs, other	**(11)**	143
Proceeds from disposal of plant and equipment	**53**	30
	(6,844)	(2,848)
Net cash flow from operating and investing activities	**5,063**	8,921
Financing activities		
(Decrease) in bank indebtedness	**-**	(6,444)
Proceeds from bank debt *(Note 11.1)*	**-**	1,289
Repayments of bank debt	**(2,031)**	(1,928)
Proceeds from issue of Common Shares *(Note 13.1)*	**-**	20
	(2,031)	(7,063)
Effects of foreign exchange rate changes on cash flow	**(411)**	416
Net increase in cash flow	**2,621**	2,274
Cash, beginning of the year	**5,026**	2,752
Cash, end of year	**$ 7,647**	$ 5,026
Disclosure of cash payments		
Payment for interest	**$ 306**	$ 529
Payments for income taxes	**$ 1,750**	$ 24

See accompanying notes.

1. NATURE OF OPERATIONS

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

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

The Corporation has two wholly owned subsidiaries: Firan Technology Group (USA) Corporation, which in turn owns 100% of the voting securities of FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc. (acquired in fiscal 2019 – refer to Note 6), and Firan Technology Group (Barbados) 1 Corporation, which in turn owns 100% of the voting securities of Firan Technology Group (Barbados) 2 Corporation, which in turn owns 100% of the voting securities of FTG Aerospace Tianjin Inc.

The subsidiaries were incorporated as follows:

- Firan Technology Group (USA) Corporation was incorporated in the State of California, U.S.A.
- FTG Circuits Inc. was incorporated in the State of California, U.S.A.
- FTG Aerospace Inc. was incorporated in the State of California, U.S.A.
- FTG Circuits Fredericksburg Inc. was incorporated in the State of Virginia, U.S.A. (Note 6)
- Firan Technology Group (Barbados) 1 Corporation was incorporated in Barbados.
- Firan Technology Group (Barbados) 2 Corporation was incorporated in Barbados.
- FTG Aerospace Tianjin Inc. was incorporated in the Province of Tianjin, People's Republic of China

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

In July, 2019, the Corporation through its subsidiary - Firan Technology Group (USA) Corporation, acquired all of the outstanding shares of Colonial Circuits Inc., incorporated in the State of Virginia, U.S.A. In December 2019, Colonial Circuits Inc. name was changed to FTG Circuits Fredericksburg Inc. (Note 6).

These consolidated financial statements were approved for issuance by the Board of Directors on February 13, 2020.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2019 and 2018. The Corporation controls the JV and its results were consolidated in the consolidated financial statements.

Profit or loss and each component of other comprehensive income (loss) ("OCI") are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Corporation's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full upon consolidation. For any new acquisitions, the results of operations are reflected from the date of acquisition.

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

3.2 Foreign currency translation

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

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

3.3 Revenue recognition

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

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

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

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

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

Other Considerations:

- The sale of consignment products are recognized on notification that the product has been used, at which point the performance obligation associated with those products is considered to be satisfied and control of the goods is transferred to the customer.
- The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.
- The Corporation estimates variable consideration at the most likely amount to which the Corporation expects to be entitled. The estimated variable amount is included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimation of variable consideration is largely based on assessment of the Corporation's historical, current and forecasted information that is reasonably available.
- The Corporation does not have contracts with any significant financing components.

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

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

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

3.4 Segment reporting

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

3.5 Government assistance/grant

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

Government grants are recognized at their fair value in the year when there is reasonable assurance that the conditions attached to the grant will be met and that the grant will be received. Grants are recognized as income over the year necessary to match them with the related costs that they are intended to compensate. Grants related to expenditure on plant and equipment and on intangible assets are deducted from the carrying amount of the asset. The grant is therefore recognized as income over the life of the depreciable asset. Repayable grants are treated as a source of financing and are recognized as borrowings on the consolidated statements of financial position.

3.6 Inventories

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

3.7 Plant and equipment

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

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

Machinery and equipment	3 to 10 years
Furniture and fixtures	5 years
Leasehold improvements	Term of the lease

3.8 Intangible assets

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

The Corporation's intangible assets comprise strategic customer relationships acquired in business combinations and the cost of registering trademarks. These relationships and trademarks are considered to have finite useful lives and are amortized on a straight-line basis over their useful life of 5 to 10 years. The amortization period and the amortization method are reviewed at least annually.

3.9 Impairment of non-financial assets

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

3.10 Income taxes

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that they will be able to be utilized against future taxable income.

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

3.11 Research and development

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

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

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

3.12 Financial instruments

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

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

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

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

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

Financial instruments carried at amortized cost
Financial instruments in this category include accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, and bank debt. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Accounts receivables and contract assets include originated non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are subsequently measured at amortized cost and is computed using the effective interest rate method less any allowance for impairment. The effective interest rate accretion is included within the interest expense in the consolidated statements of earnings.

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

3.13 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all of the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability.

When substantially all of the risk and rewards related to the ownership of the leased asset are not transferred, the total rentals payable under the lease are charged to the consolidated statement of earnings on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

3.14 Provisions

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

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

3.15 Share capital

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

3.16 Share based payments – common share options

The Corporation accounts for share-based payments as equity settled transactions where the fair value of options granted is charged to expense over the option vesting period, with the offsetting amount recognized in contributed surplus. For awards with graded vesting, each tranche of an award is considered a separate grant with a different vesting date and fair value. The fair value of each tranche is recognized over its respective vesting period. The fair value of each tranche is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, expected volatility of the Corporation's stock, and a weighted average expected life of options. For each reporting period, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the consolidated statement of earnings with a corresponding adjustment to equity.

3.17 Share based payments – share units

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

The Corporation's stock option plan (the "Option Plan") was last amended by shareholders of the Corporation in 2003. The Corporation cancelled the Option Plan and adopted the Share Unit Plan in order to modernize the Corporation's long-term incentive compensation structure. Notwithstanding the cancellation of the Option Plan, all outstanding options granted under the Option Plan will remain outstanding and effective under the terms of the Option Plan.

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

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

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

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

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

3.18 Earnings per share ("EPS")

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

3.19 Derivative financial instruments

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

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

Hedge effectiveness is tested at each reporting date. Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

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

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

Derivative financial instruments which represent the Corporations hedging relationships have been recognized and measured under IAS 39 *Financial Instruments: recognition and measurement*, and not under IFRS 9. Management has chosen to continue assessing the effectiveness of its hedged relationships and measure these instruments under IAS 39 until the macro hedging project is culminated.

3.20 Business combinations

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

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

3.21 Determination of fair value

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

4. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORATING STANDARDS

New and Amended International Financial Reporting Standards Adopted in 2019
The Corporation has adopted the following new and amended standards in the current year.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

IFRS 15 was adopted effective December 1, 2018. The Corporation adopted IFRS 15 using the cumulative effective method of transition. For contracts that were modified before December 1, 2018, the Corporation has used the practical expedient allowing for recognition of the aggregate effect of any such modifications that occurred before the date of initial adoption when identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to performance obligations.

The effect of adopting IFRS 15 did not have any material impact on the consolidated statements of financial position, consolidated statement of earnings, and consolidated statement of comprehensive income for the year ended November 30, 2019. There was no material impact on the opening retained earnings of the Corporation.

IFRS 9 *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard was effective for annual periods beginning on or after January 1, 2018. The Corporation adopted the standard on December 1, 2018. The Corporation measures loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses. The Corporation has determined that the adoption of the standard did not result in any impact on the financial statements of the Corporation.

New and Amended International Financial Reporting Standards to be Adopted in 2020 or Later
The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Corporation in 2020 or later.

IFRS 16, Leases

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single on- consolidated statements of financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively.

As a lessee, the Corporation will apply IFRS 16 using a modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at December 1, 2019, with no restatement of comparative information.

The Corporation will recognize right-of-use assets and lease liabilities for its facility and equipment leases with a remaining lease term of more than 12 months as at December 1, 2019. The Corporation's consolidated statements of financial position will reflect current and long-term lease liabilities and right-of-use assets for property and equipment leases where the Corporation is the lessee. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate on transition. The right-of-use assets will be measured retrospectively using the Corporation's incremental borrowing rate as of the date of transition. The expected impact on the consolidated statements of financial position is an increase in the right of use assets and lease liabilities of approximately $13,800. The Corporation continues to finalize estimates and inputs into the calculations. The discount rate applied is based on the Corporation's estimated incremental borrowing rate as of the transition date of December 1, 2019. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Corporation's borrowing rate as at December 1, 2019, the composition of the Corporation's lease portfolio at that date, the Corporation's latest assessment of whether it will exercise any lease renewal options and the extent to which the Corporation chooses to use practical expedients and recognition exemptions.

In the statements of earnings, the Corporation will recognize depreciation for right-of-use assets and interest expense on lease liabilities, in place of the current straight-line operating lease expense. There will be no change to the amount of cash exchanged related to lease transactions. Total expense recognized over the lease term is equal to total cash paid over the lease term. However, expenses under IFRS 16 will be higher when leases are early in the term as finance expense is recognized on an amortized cost basis and depreciation expense is recognized on a straight-line basis over the lease term. The Corporation will classify lease payments consistently with payments on other financial liabilities in the statement of cash flows with lease payments for principal and interest on the lease liability classified as financing cash flows instead of operating cash flows.

Uncertainty over Income Tax Treatments
In June 2017, IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax *Treatments* ("IFRIC 23"), which clarifies application of recognition and measurement requirements in IAS 12, Income Taxes when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Corporation is in the process of evaluating the impact that IFRIC 23 may have on the Corporation's consolidated financial statements.

Annual Improvements to IFRS Standards 2015 – 2017
In December 2017, IASB issued the following amendments from the 2015-2017 annual improvement cycle.

IFRS 3 Business Combination
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments will apply on business combinations of the Corporation after January 1, 2019.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Corporation does not expect these amendments will have an impact on the Corporation's consolidated financial statements.

5. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

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

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

Expected credit losses

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

Allowance for inventory obsolescence

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

Taxes and deferred taxes

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

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

Useful lives of plant and equipment

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

Impairment and valuation of non-financial assets

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

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

Warranties

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

Business combinations

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

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

6. ACQUISITION OF COLONIAL CIRCUITS INC.

On July 15, 2019, the Corporation acquired all of the outstanding shares of Colonial Circuits Inc. (“Colonial”), for a consideration of USD $2,927 or $3,817, net of cash acquired. The acquisition price was paid in cash. This transaction has significant strategic benefit to the Corporation as it is expected to complement FTG’s existing facilities, add capacity to the Corporation’s circuit segment, allow for rebalancing of production amongst facilities and increase FTG’s market share through new technological offerings and new customers.

The Colonial acquisition was accounted for by the Corporation as a business combination under IFRS 3. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

Included in the consolidated statement of earnings are revenues and earnings before income taxes of approximately $3,600 and $400, respectively, related to the Colonial acquisition for the period from July 15, 2019 to November 30, 2019. If the transaction had taken place on December 1, 2018, revenues and earnings before income taxes would have been approximately $8,400 and $300, respectively related to the Colonial acquisition.

The transaction costs associated with the acquisition totaling $153 were expensed during the year ended November 30, 2019 and are included in selling, general and administrative expenses.

Acquired identifiable intangible assets include customer relationships, which are being amortized over a period of 5 years.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

	Colonial
Total purchase price:	
Cash paid for acquisition	**$4,281**
Total purchase price to allocate	**$4,281**
Fair value of assets acquired and liabilities assumed:	
Cash	**$464**
Accounts receivable	**862**
Inventories	**704**
Prepaid expenses	**29**
Plant and equipment	**2,443**
Intangible assets	**626**
Accounts payable and accrued liabilities	**(581)**
Deferred income tax liability, net	**(266)**
Net assets acquired	**$4,281**

7. INVENTORIES

	November 30, 2019	November 30, 2018
	$	$
Raw materials and spare parts	**7,636**	8,892
Work-in-progress	**9,812**	10,431
Finished goods	**4,542**	5,311
	21,990	24,634

The cost of inventories recognized as an expense during the year ended November 30, 2019 was $78,788 (2018 - $81,143). This amount also included $2,752 (2018 – $3,253) as cost of inventories written down due to obsolescence.

8. PLANT AND EQUIPMENT

	Machinery and equipment $	**Furniture and fixtures $**	**Leasehold improvements $**	**Total $**
Cost:				
November 30, 2018	**43,397**	**429**	**5,331**	**49,157**
Additions during the year	**2,496**	**-**	**573**	**3,069**
Acquisitions during the year *(Note 6)*	**2,301**	**4**	**138**	**2,443**
Disposals during the year	**(918)**	**-**	**-**	**(918)**
Foreign exchange impact	**(2)**	**(1)**	**(14)**	**(17)**
November 30, 2019	**47,274**	**432**	**6,028**	**53,734**
Accumulated depreciation:				
November 30, 2018	**33,658**	**353**	**3,068**	**37,079**
Depreciation during the year	**3,169**	**33**	**562**	**3,764**
Disposals during the year	**(911)**	**-**	**-**	**(911)**
Foreign exchange impact	**47**	**(1)**	**(74)**	**(28)**
November 30, 2019	**35,963**	**385**	**3,556**	**39,904**
Net book value:				
November 30, 2019	**11,311**	**47**	**2,472**	**13,830**

	Machinery and equipment $	Furniture and fixtures $	Leasehold improvements $	Total $
Cost:				
November 30, 2017	40,931	411	4,980	46,322
Additions during the year	2,725	10	286	3,021
Disposals during the year	(595)	-	-	(595)
Foreign exchange impact	336	8	65	409
November 30, 2018	43,397	429	5,331	49,157
Accumulated depreciation:				
November 30, 2017	31,318	308	2,474	34,100
Depreciation during the year	2,556	37	556	3,149
Disposals during the year	(477)	-	-	(477)
Foreign exchange impact	261	8	38	307
November 30, 2018	33,658	353	3,068	37,079
Net book value:				
November 30, 2018	9,739	76	2,263	12,078

Included in machinery and equipment as at November 30, 2019 are $1,262 (November 30, 2018 – $1,456) and included in leasehold improvements as at November 30, 2019 are $20 (November 30, 2018 – $8) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

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

9. INTANGIBLE ASSETS AND OTHER ASSETS, NET

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

	Customer relationships	**Trademarks**	**Total**
	$	**$**	**$**
Cost			
November 30, 2018	**5,881**	**6**	**5,887**
Acquisitions during the year *(Note 6)*	**626**	**-**	**626**
Foreign exchange impact	**7**	**-**	**7**
November 30, 2019	**6,514**	**6**	**6,520**
Accumulated amortization			
November 30, 2018	**3,075**	**4**	**3,079**
Amortization during the year	**1,127**	**1**	**1,128**
Foreign exchange impact	**(2)**	**-**	**(2)**
November 30, 2019	**4,200**	**5**	**4,205**
Net book value			
November 30, 2019	**2,314**	**1**	**2,315**

	Customer relationships	Trademarks	Total
	$	$	$
Cost			
November 30, 2017	5,714	6	5,720
Foreign exchange impact	167	-	167
November 30, 2018	5,881	6	5,887
Accumulated amortization			
November 30, 2017	1,948	4	1,952
Amortization during the year	1,049	-	1,049
Foreign exchange impact	78	-	78
November 30, 2018	3,075	4	3,079
Net book value			
November 30, 2018	2,806	2	2,808

Intangible assets have an unamortized remaining period of approximately two to five years as at November 30, 2019 (approximately three years as at November 30, 2018). As at November 30, 2019, intangible assets and other assets, net include intangible assets of $2,315 (2018 - $2,808) and other assets related to non-current taxes receivable of $270 (2018 - $261).

10. COMPARATIVE FIGURES

These consolidated financial statements have been re-classified, where applicable, to conform to the presentation format used in the current year. These changes have had no impact on prior year earnings.

11. BANK DEBT

In November, 2015, the Corporation had entered into a five year committed credit facility with a major financial institution, which expires in November, 2020. Consequently, all outstanding bank debt has been classified on the balance sheet as current as of November 30, 2019. The Corporation expects to replace its existing credit facility on terms which are comparable to the existing one, in 2020. The existing credit facility includes the following terms:

- USD $9,000 five-year committed operating facility ("Operating Facility") by way of a combination of current account overdraft/bank loans, London Interbank Offered Rate loans ("LIBOR") or Banker's Acceptances ("BA") or letters of guarantee ("LG") subject to an overall maximum of US $9,000 or the Canadian dollar equivalent.
- USD $6,000 five-year revolving loan ("Term Loan") to refinance plant and equipment purchased during the previous twelve months and to finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of bank loans, LIBOR's and or BA's *(Note 11.1)*.
- USD $4,000 five-year non-revolving term loan to refinance AMIS loan and finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of LIBOR's and/or BA's *(Note 11.1)*.
- USD $72,000 (2018: $45,000) foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of US $24,000 (2018: $15,000) or the Canadian dollar equivalent for up to twelve months, US $24,000 (2018: $15,000) or the Canadian dollar equivalent for up to twenty four months and US $24,000 (2018: $15,000) or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure *(Note 17.2)*.
- US $2,000 (2018: $1,000) precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of US $2,000 (2018: $1,000) or the equivalent in major currencies with a maximum contract term of twenty four months, available to hedge risk on raw materials *(Note 17.2)*.
- USD $400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.
- USD $10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of US $10,000, with a maximum term equal to the remaining term on the Term Loan and the AMIS loan *(Note 11.1)*.

The operating and term facilities are made available by way of prime rate / US Base Rate ("USBR") loans, BA rate loans, LIBOR loans or LG's plus an applicable margin. Applicable margins under the terms of the operating and term facility for prime rate / USBR loans are plus 90 to 115 basis points, BA rate loans are plus 200 to 240 basis points, LIBOR loans are plus 200 to 240 basis points and LG's are plus 90 to 115 basis points. BA's, LIBOR's, LG's, foreign exchange forward contracts, precious metal forward contracts, and interest rate swaps shall be repayable at their respective maturity dates. In any event, all the advances are repayable under the lending facility still outstanding at the end of the five years from the closing date of November 2015. The lending facility is secured by a first charge on all assets of the Corporation.

11.1 Bank debt

Bank debt consists of the following:	**November 30, 2019 $**	November 30, 2018 $
5.0 year US $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US $67 plus interest at LIBOR rate plus 200 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2019 was US $800 or Cdn. $1,063 (November 30, 2018 – US $1,600 or Cdn. $2,128). In December 2015, the Corporation had entered into an interest rate swap ("IRS") to hedge the USD interest payments of the US $4,000 term loan over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%.	**1,063**	2,128
5.0 year US $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $31 plus interest at LIBOR rate plus 200 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2019 was US $1,452 or Cdn. $1,929 (November 30, 2018 – US $1,809 or Cdn. $2,406). In July 2016, the Corporation had entered into an IRS to hedge the USD interest payments of the US $2,600 term loan over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%.	**1,929**	2,406
5.0 year US $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $18 plus interest at LIBOR rate plus 215 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2019 was US $1,071 or Cdn. $1,424 (November 30, 2018 – US $1,286 or Cdn. $1,710). In February 2018, the Corporation had entered into an IRS to hedge the USD interest payments of the US $1,500 term loan over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%.	**1,424**	1,710
5.0 year US $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $12 plus interest at LIBOR rate plus 215 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2019 was US $762 or Cdn. $1,012 (November 30, 2018 – US $905 or Cdn. $1,203). In April 2018, the Corporation had entered into an IRS to hedge the USD interest payments of the US $1,000 term loan over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%.	**1,012**	1,203
	5,428	7,447
Less: deferred financing charges	**(12)**	(24)
	5,416	7,423
Less: current portion (amounts due within one year)	**(5,416)**	(2,019)
	-	5,404

As the lending facility is scheduled to be renewed in the next twelve months (November 2020), the entire bank debt is classified as current as at November 30, 2019.

As at November 30, 2019, the Corporation had entered into four (November 30, 2018 – four) interest rate swaps. The details and effects of the interest rate swaps are disclosed in *Note 17.2 – Interest rate swaps*.

The Corporation's credit facilities as described above are subject to certain covenants with which it was in full compliance as at November 30, 2019.

12. PROVISIONS

	Years ended	
	November 30, 2019	November 30, 2018
	$	$
Product warranties:		
Opening balance	**538**	390
Arising during the year	**413**	507
Utilized during the year	**(290)**	(359)
Closing balance	**661**	538
Employee termination		
Opening balance	**311**	-
Arising during the year	**423**	455
Utilized during the year	**(449)**	(144)
Closing balance	**285**	311
Total	**946**	849

Product warranties

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

Employee termination

In fiscal 2019, employee termination provisions were recognized for certain post-employment costs for three senior employees. In fiscal 2018, employee termination provisions were recognized for certain post-employment costs for two senior employees.

13. SHARE CAPITAL

13.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, issuable in series, with the attributes of each series to be fixed by the Board of Directors. Each Common and Preferred Share carries the right to one vote. The following is a continuity of the changes in the number of Common shares for the year ended November 30, 2019 and November 30, 2018:

	November 30, 2019		November 30, 2018	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**22,716,201**	**19,323**	22,676,201	19,295
Exercise of share options during the year	**-**	**-**	40,000	20
Transfer from contributed surplus to share capital for share options exercised	**-**	**-**	-	8
Outstanding, end of the year	**22,716,201**	**19,323**	22,716,201	19,323

13.2 Preferred shares issued and outstanding

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2019 (November 30, 2018 – 1,775,000). These Preferred Shares, are convertible into Common Shares on a one-for-one basis at the option of the preferred shareholder. Holders of Series 1 Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and shall be entitled to receive an amount equal to $2.50 per Series 1 Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

13.3 Common share options

The following is a continuity of the changes in the number of share options outstanding for the years ended November 30, 2019 and November 30, 2018:

	November 30, 2019			November 30, 2018		
	Number of share options		**Weighted average exercise price**	Number of share options		Weighted average exercise price
Outstanding, beginning of year	**-**	**$**	**-**	40,000	$	0.49
Exercised	**-**		**-**	(40,000)		0.49
Outstanding, end of year	**-**	**$**	**-**	-	$	-

There were no share options granted during the year ended November 30, 2019 and November 30, 2018. There were nil share options outstanding and exercisable as at November 30, 2019 and November 30, 2018. The weighted average market price of the Corporation's Common shares at the time of exercise of share options during the year ended November 30, 2018 was $3.19.

13.4 Contributed surplus

	Years ended	
	November 30, 2019 $	November 30, 2018 $
Balance, beginning of the year	**8,672**	8,384
Stock-based compensation during the year	**261**	296
Transfer to share capital for share options exercised	**-**	(8)
Balance, end of the year	**8,933**	8,672

13.5 Earnings per share

	Years ended	
	November 30, 2019	November 30, 2018
Numerator		
Net earnings	**$ 5,982**	$ 2,865
Net (loss) earnings attributable to non-controlling interests	**(76)**	(10)
Net earnings attributable to equity holders of FTG	**$ 6,058**	$ 2,875
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 6,058**	$ 2,875
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 6,058**	$ 2,875
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**22,716,201**	22,703,735
Effect of dilutive securities:		
Number of Preferred Shares	**1,775,000**	1,775,000
Number of PSU's	**206,944**	187,361
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,698,145**	24,666,096
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	**$ 0.27**	$ 0.13
Diluted earnings per share	**$ 0.25**	$ 0.12

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2019 and 2018. The Corporation has 206,944 and 187,361 PSU's outstanding as at November 30, 2019 and 2018, respectively. These convertible Series 1 Preferred Shares and PSU's were included in calculating diluted earnings per share for the year ended November 30, 2019 and November 30, 2018 as the Corporation had net earnings.

13.6 Stock-based compensation to employees

Share units – PSUs

The following is a continuity of the changes in the number of PSU's outstanding for the years ended November 30, 2019 and November 30, 2018:

	November 30, 2019		November 30, 2018	
	Number of PSU's	**Weighted average grant price**	Number of PSU's	Weighted average grant price
Outstanding, beginning of year	**187,361**	**$ 4.12**	200,000	$ 4.12
Granted	**22,500**	**3.01**	-	-
Forfeited	**(2,917)**	**(4.12)**	(12,639)	(4.12)
Outstanding, end of year	**206,944**	**$ 4.00**	187,361	$ 4.12

During the year ended November 30, 2019, the Corporation granted 22,500 PSUs (2018 – nil), of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury.

As at November 30, 2019, 184,444 of the 206,944 outstanding PSUs had vested/exercisable (As at November 30, 2018, nil of the 187,361 outstanding PSUs had vested/exercisable).

The Corporation recognized stock-based compensation expense in the consolidated statement of earnings of $261 during the year ended November 30, 2019 (2018 – $296).

PSU's outstanding and exercisable as at November 30, 2019 and November 30, 2018 are as below:

November 30, 2019						
Number of PSU's	**Grant price per PSU $**	**Vesting**	**Expiry date**	**Weighted-average remaining contractual life**	**Weighted-average exercise price per PSU $**	**Number exercisable**
184,444	**4.12**	**2017-2019**	**2019**	**0.0 years**	**-**	**184,444**
22,500	**3.01**	**2019-2021**	**2021**	**2.0 years**	**-**	**-**
206,944						**184,444**

November 30, 2018						
Number of PSU's	Grant price per PSU $	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price per PSU $	Number exercisable
187,361	4.12	2017-2019	2019	1.0 years	-	-
187,361						-

13.7 Management of capital

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

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

The managed capital as at November 30, 2019 of $52,081 is comprised of total equity attributable to FTG's shareholders of $46,665 and bank debt of $5,416. The managed capital as at November 30, 2018 of $48,549 is comprised of shareholders equity of $41,126 and bank debt of $7,423.

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

the specific circumstances. The Board of Directors review and approve any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. There were no changes in the Corporation's approach to capital management during the period.

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

14. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

14.1 Research and Development Costs and Recoveries

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

14.2 Investment Tax Credits Receivable

The Corporation has, as at November 30, 2019, $3,035 (November 30, 2018 - $4,620) of Canadian investment tax credits ("ITCs") available to be applied against future taxes payable in Canada which are due to expire between 2025 and 2039.

15. INCOME TAX EXPENSE

15.1 Deferred Income Tax Assets

The consolidated rate reconciliation is as follows:	**November 30, 2019**	November 30, 2018
	$	$
Accounting income before tax	**9,728**	6,280
Statutory tax rate	**25%**	25%
	2,432	1,570
Change in benefits not recognized	**1,017**	742
Deferred tax recovery on Colonial acquisition	**(266)**	
Foreign tax rate differences	**38**	123
Permanent differences and differences between Canadian and foreign tax rates	**420**	909
Withholding tax	**73**	62
State income taxes	**32**	9
Tax provision	**3,746**	3,415
The gross movement on the net deferred income tax asset account is as follows:	**$**	$
Opening balance, net	**(1,018)**	(1,301)
Deferred tax on Colonial acquisition	**(266)**	-
Recovered (charged) to earnings during the year	**550**	(185)
Recovered in other comprehensive income (loss) during the year	**161**	468
Closing balance, net	**(573)**	(1,018)

The movement in net deferred income tax assets during the year ended November 30, 2019 is as follows:

	Balance as at December 1, 2018	**Deferred tax on Colonial acquisition**	**Recovered (charged) to earnings**	**Recovered in other comprehensive income**	**Balance as at November 30, 2019**
	$	**$**	**$**	**$**	**$**
Deferred income tax assets, net:					
Tax losses carried forward	**4,360**	**-**	**1,756**	**-**	**6,116**
SR&ED deductible expenditures	**(188)**	**-**	**129**	**-**	**(59)**
Tax attributes - R&D Credits	**502**	**-**	**98**	**-**	**600**
Other temporary differences	**2,269**	**223**	**(1,342)**	**161**	**1,311**
Excess of unamortized intangibles for tax purposes over net book value	**(608)**	**-**	**164**	**-**	**(444)**
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	**(234)**	**(489)**	**438**	**-**	**(285)**
Deferred revenue	**129**		**(129)**	**-**	**-**
Deferred income tax assets not recognized	**(5,498)**	**-**	**(1,017)**	**-**	**(6,515)**
Deferred income tax assets	**732**	**(266)**	**97**	**161**	**724**
Deferred tax payable on investment tax credit receivable	**(1,750)**	**-**	**453**	**-**	**(1,297)**
	(1,018)	**(266)**	**550**	**161**	**(573)**

The movement in net deferred income tax assets during the year ended November 30, 2018 is as follows:

	Balance as at December 1, 2017	Recovered (charged) to earnings	Recovered in other comprehensive income	Balance as at November 30, 2018
	$	$	$	$
Deferred income tax assets, net:				
Tax losses carried forward	4,673	(313)	-	4,360
SR&ED deductible expenditures	(1,309)	1,121	-	(188)
Tax attributes - R&D Credits	487	15	-	502
Other temporary differences	1,371	430	468	2,269
Excess of unamortized intangibles for tax purposes over net book value	(1,301)	693	-	(608)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	65	(299)	-	(234)
Deferred revenue	1,138	(1,009)	-	129
Deferred income tax assets not recognized	(4,729)	(769)	-	(5,498)
Deferred income tax assets	395	(131)	468	732
Deferred tax payable on investment tax credit receivable	(1,696)	(54)	-	(1,750)
	(1,301)	(185)	468	(1,018)

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

The Corporation has, as at November 30, 2019, U.S. gross tax loss carry-forwards of approximately $16,607 (November 30, 2018 - $11,103), which are due to expire between 2032 and 2039. No deferred income tax asset has been recorded in respect of these losses.

In addition, the Corporation has, as at November 30, 2019, China gross tax loss carry-forwards of approximately $1,600 (November 30, 2018 - $2,200), which are due to expire between 2020 and 2024. No deferred income tax asset has been recorded in respect of these losses.

The Corporation has, as at November 30, 2019, capital loss carry-forwards of approximately $14,145 (November 30, 2018 - $14,145), which do not expire. The capital losses can only be used to shelter income from capital gains. No deferred income tax asset has been recorded in respect of these losses.

15.2 Income tax expense

	Years ended	
	November 30, 2019	November 30, 2018
	$	$
Income tax expense/(recovery):		
Current tax expense- in earnings during the year	**4,296**	3,230
Deferred tax (recovery) expense - in earnings during the year	**(97)**	25
Deferred tax expense (ITCs) – charged to earnings during the year	**(453)**	160
Deferred tax recovery - in other comprehensive income (loss) during the year	**(161)**	(468)
	3,585	2,947

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the year ended November 30, 2019 was 25% (2018: 25%) which was based on projected annualized Manufacturing and Processing rates.

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2019	November 30, 2018
	$	$
Accounts receivable and contract assets	**(1,947)**	(782)
Taxes recoverable	**189**	26
Inventories	**3,345**	352
Prepaid expenses	**71**	(311)
Contract liabilities	**(1,750)**	699
Accounts payable and accrued liabilities, and provisions	**410**	3,322
Income tax payable	**77**	563
	395	3,869

17. FINANCIAL INSTRUMENTS

17.1 Fair value

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

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level includes equity securities traded on an active market and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value as at November 30, 2019 and November 30, 2018.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, long-term bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at November 30, 2019 and November 30, 2018.

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The Corporation did not have any Level 3 financial instruments carried at fair value as at November 30, 2019 and November 30, 2018.

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

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

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

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

Bank debt:

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

Foreign exchange forward contracts, gold forward contracts and interest rate swap:

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap (per details in *Note 17.2*) is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2019. The forward current

value (fair value) of these financial instruments as at November 30, 2019 had an net unrealized loss of $2,234 (an unrealized loss on foreign exchange forward contracts of $2,127, and an unrealized loss on gold forward contracts of $30, and an unrealized loss on interest rate swaps of $77, and included in other comprehensive income (loss), net of $558 in tax, and relates to derivatives designated as cash flow hedges. The forward current value (fair value) of these financial instruments as at November 30, 2018 had an net unrealized loss of $1,591 (an unrealized loss on foreign exchange forward contracts of $1,627, and an unrealized loss on gold forward contracts of $76, offset by an unrealized gain on interest rate swaps of $112, and included in other comprehensive income (loss), net of $398 in tax, and relates to derivatives designated as cash flow hedges.

17.2 Financial risks

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk which include four (November 30, 2018 – four) interest rate swaps as at November 30, 2019.

Based on the value of interest bearing financial instruments for the year ended November 30, 2019, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $3 (year ended November 30, 2018 – decrease of $23), with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

Currency risk

Currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily in USD. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Corporation's bank debt and most of the manufacturing materials are sourced in USD; and also a significant portion of the headcount and operations are in now located in United States, providing a natural economic hedge for a portion of the Corporation's currency exposure. The foreign exchange loss (gain) for the reporting periods is set out in the table below:

	Years ended	
	November 30, 2019	November 30, 2018
	$	$
Realized loss (gain) relating to financial assets and liabilities, excluding foreign exchange forward contracts	**759**	(15)
Realized loss (gain) relating to forward exchange foreign contracts	**26**	(60)
Foreign exchange loss (gain)	**785**	(75)

In addition, net realized loss for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2019 of $387 (year ended November 30, 2018 - net realized (gain) of ($45) was recorded in sales in the consolidated statements of earnings.

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

			November 30, 2019	November 30, 2018
(In thousands of USD)	**Canadian and other operations $**	**U.S. operations $**	**Consolidated financial statements $**	Consolidated financial statements $
Cash	**3,705**	**398**	**4,103**	2,497
Accounts receivable	**9,675**	**5,407**	**15,082**	13,081
Accounts payable and accrued liabilities	**(2,646)**	**(3,945)**	**(6,591)**	(7,300)
Total bank borrowings	**(4,085)**	**-**	**(4,085)**	(5,599)
Consolidated statements of financial position exposure, excluding financial derivatives	**6,649**	**1,860**	**8,509**	2,679
Reporting date Cdn.$:U.S.$ exchange rate			**1.3289**	1.3301

			Years ended **November 30, 2019**	November 30, 2018
(In thousands of USD)	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Net sales	**54,732**	**25,967**	**80,699**	79,326
Operating expenses	**(16,932)**	**(30,146)**	**(47,078)**	(52,093)
Net exposure	**37,800**	**(4,179)**	**33,621**	27,233

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the USD, net earnings before tax for the years ended November 30, 2019 and November 30, 2018 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the USD would have had an equal but opposite effect on the amounts shown below.

			Years ended **November 30, 2019**	November 30, 2018
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of USD)*	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Consolidated statements of financial position exposure, excluding financial derivatives	**(66)**	**(19)**	**(85)**	(26)
Net sales and operating expenses (net exposure)	**(378)**	**42**	**(336)**	(273)
Net exposure	**(444)**	**23**	**(421)**	(299)

The Corporation also holds RMB arising from its Circuits and Aerospace facilities in the People's Republic of China. Total consolidated statements of financial position exposure as at November 30, 2019 was RMB 4,464,403 or Cdn. $844 (November 30, 2018 – RMB 4,733,776 or Cdn. $905) including a short term deposit with a financial institution with maturity of less than 1 year an amount of RMB 2,500,000 or Cdn. $472 (November 30, 2018 – RMB 3,000,000 or Cdn. $574). With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the years ended November 30, 2019 and November 30, 2018 would decrease by approximately $8 and $9, respectively. An assumed 1% weakening of the Canadian dollar versus the USD would have had an equal but opposite effect on these amounts.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange forward contracts

Foreign exchange forward contracts are transacted with a financial institution to hedge part of a foreign currency denominated anticipated sale of products. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign exchange forward contracts, all of which have a maturity date of less than thirty six months as at November 30, 2019 and November 30, 2018:

Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized (loss)
November 30, 2019					
U.S. dollars	**Canadian dollars**	**$45,000**	**$57,645**	**$59,772**	**($2,127)**
November 30, 2018					
U.S. dollars	Canadian dollars	$45,000	$57,584	$59,211	($1,627)

As at November 30, 2019 and 2018, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and accounts payable and accrued liabilities. This net unrealized (loss) in other comprehensive income (loss) is expected to be realized through net earnings on the consolidated statements of earnings over the next thirty six months when the sales are recorded.

Gold forward contracts

As at November 30, 2019, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 600 ounces of gold (November 30, 2018: 600 ounces of gold) under gold forward contracts at a contract price of approximately $1.93 per ounce (2018: $1.74) expiring quarterly from December 2019. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized (loss)
November 30, 2019	**Gold forward contract**	**600 ounces**	**$1,057**	**$1,127**	**($30)**
November 30, 2018	Gold forward contracts	600 ounces	$1,047	$971	($76)

As at November 30, 2019 and 2018, the gold forward contracts are designated as a cash flow hedges, all of which was recognized in other comprehensive income (loss) and accounts payable and accrued liabilities. This unrealized loss in other comprehensive income (loss) is expected to be reclassified to the consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts as at November 30, 2019 retained in other comprehensive income (loss) related to these contracts are expected to be recognized through net earnings on the consolidated statement of earnings in fiscals 2020, 2021 and 2022.

Interest rate swaps

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized gain of $1 (November 30, 2018 – unrealised gain of $28) which is included in other comprehensive income (loss) and prepaid expenses.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized gain of $10 (November 30, 2018 - unrealized gain of $91) which is included in other comprehensive income (loss) and prepaid expenses.

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized (loss) of ($48) (November 30, 2018 - unrealized (loss) of ($1) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized (loss) of ($40) (November 30, 2018 - unrealized (loss) of ($6) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

The table below summarizes the net unrealised gain related to interest rate swaps as at November 30, 2019 and November 30, 2018:

Year ended	Nature of contracts	Net unrealized (loss) gain
November 30, 2019	**Interest rate swaps**	**($77)**
November 30, 2018	Interest rate swaps	$112

Credit risk

For the year ended November 30, 2019, the Corporation recorded a bad debts expense of $1 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2018, the Corporation recorded a bad debts expense of $505 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings. The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. The Corporation considers a receivable to be in default when contractual payments are 180 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. The Corporation's largest and second largest customer accounted for approximately 22.5% and 9.6% of sales (2018 – 16.6% and 10.5%), respectively during year ended November 30, 2019. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

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

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

Accounts receivable of $21,085 as at November 30, 2019 included trade receivables of $20,537 and other receivables of $548. Accounts receivable of $18,696 as at November 30, 2018 included trade receivables of $18,309 and other receivables of $387.

The Corporation's exposure to credit risk for trade receivables as at November 30, 2019 and November 30, 2018 was as follows:

	November 30, 2019 $	November 30, 2018 $
By geographical area:		
Canada	**2,228**	2,700
United States	**15,176**	11,683
Asia	**3,079**	3,852
Europe	**596**	691
Trade receivables	**21,079**	18,926
Expected credit losses ("ECL")	**(542)**	(617)
Trade receivables, net of ECL	**20,537**	18,309
Aging by due dates:		
Current	**18,775**	17,023
Past due 31 to 120 days	**1,636**	1,764
Past due over 121 days	**668**	139
Trade receivables	**21,079**	18,926
ECL	**(542)**	(617)
Trade receivables, net of ECL	**20,537**	18,309

The movements in the ECL as follows:

	November 30, 2019 $	November 30, 2018 $
Opening balance	**617**	284
Provision expensed during the year	**1**	505
Doubtful accounts written off during the year	**(76)**	(172)
Closing balance	**542**	617

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in *Note 13.7*. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors review and approve the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally generated cash flows and the use of its credit facility.

The following is the summary of contractual maturities of financial liabilities and obligations, excluding future interest payments but including interest, accrued to November 30, 2019 and November 30, 2018:

					November 30, 2019	November 30, 2018
	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**	Amount $
Bank debt *(Note 11.1)*	**5,428**	**-**	**-**	**-**	**5,428**	7,447
Accounts payable and accrued liabilities, and provisions	**18,050**	**-**	**-**	**-**	**18,050**	17,127
Contract liabilities	**216**	**-**	**-**	**-**	**216**	1,966
Operating leases	**2,141**	**1,748**	**3,938**	**1,818**	**9,645**	4,970
	25,835	**1,748**	**3,938**	**1,818**	**33,339**	31,510

Financial liabilities and obligations for future interest payments relating to bank debt are $182 for within 1 year, $124 for the 2nd year, $140 in aggregate for years 3, 4 and 5 and $nil after the 5th year.

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2019 and 2018.

18.2 Compensation of directors and key management personnel

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

	Years ended	
	November 30, 2019 $	November 30, 2018 $
Short-term remuneration benefits	**1,661**	1,519
Stock-based payment benefits	**309**	361
Severance benefits	**226**	-
	2,196	1,880

18.3 Key management personnel and director shareholdings

As at November 30, 2019, key management and directors of the Corporation control 11.8% (2018 – 11.7%) of the voting shares of the Corporation.

19. EMPLOYEE COMPENSATION

Employee compensation expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2019, wages, salaries and related benefits were $41,824 (2018 – $40,069).

20. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Corporation has entered into commercial leases for its manufacturing facilities and certain equipment. Future minimum lease payments under non-cancellable operating leases are as follows:

	Amount $
2020	**2,141**
2021	**1,748**
2022	**1,469**
2023	**1,296**
2024	**1,173**
Thereafter	**1,818**
	9,645

Lease payments recognized as an expense in the consolidated statements of earnings for the years ended November 30, 2019 and November 30, 2018 amounted to $2,588 and $2,325, respectively.

Contingencies

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

21. SEGMENTED INFORMATION

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

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

	Year ended November 30, 2019			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**72,988**	**48,701**	**-**	**121,689**
Inter-company sales	**(1,546)**	**(7,490)**	**-**	**(9,036)**
Net sales	**71,442**	**41,211**	**-**	**112,653**
Cost of sales and selling, general and administrative expenses	**51,730**	**37,470**	**3,581**	**92,781**
Research and development costs	**4,038**	**808**	**-**	**4,846**
Reversal of Ontario innovation tax credit	**98**	**122**	**-**	**220**
Recovery of investment tax credits	**-**	**-**	**(889)**	**(889)**
Depreciation of plant and equipment	**2,866**	**792**	**106**	**3,764**
Amortization of intangible assets	**194**	**934**	**-**	**1,128**
Foreign exchange loss (gain) on conversion of assets and liabilities	**536**	**365**	**(116)**	**785**
Earnings (loss) before interest and income taxes	**11,980**	**720**	**(2,682)**	**10,018**
Interest expense on bank debt	**-**	**-**	**290**	**290**
Income tax expense	**-**	**-**	**3,746**	**3,746**
Net earnings (loss)	**11,980**	**720**	**(6,718)**	**5,982**

	Year ended November 30, 2018			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	65,121	54,549	-	119,670
Inter-company sales	(1,034)	(9,216)	-	(10,250)
Net sales	64,087	45,333	-	109,420
Cost of sales and selling, general and administrative expenses	48,544	43,496	2,732	94,772
Research and development costs	3,900	840	-	4,740
(Recovery) of Ontario innovation tax credit	(98)	(122)	-	(220)
Recovery of investment tax credits	-	-	(796)	(796)
Depreciation of plant and equipment	2,275	813	61	3,149
Amortization of intangible assets	142	907	-	1,049
Foreign exchange (gain) loss on conversion of assets and liabilities	(121)	(167)	213	(75)
Earnings (loss) before interest and income taxes	9,445	(434)	(2,210)	6,801
Interest expense on bank debt	-	-	521	521
Income tax expense	-	-	3,415	3,415
Net earnings (loss)	9,445	(434)	(6,146)	2,865

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

	As at November 30, 2019			As at November 30, 2018		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**48,370**	**25,007**	**73,377**	41,316	29,820	71,136
Intangible assets and other assets	**1,098**	**1,487**	**2,585**	646	2,423	3,069
Additions to plant and equipment	**4,973**	**539**	**5,512**	2,699	322	3,021
Total segment liabilities	**20,996**	**4,652**	**25,618**	22,489	6,340	28,829

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

	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Year ended November 30, 2019:						
Net sales (by location of customer)	**9,346**	**83,102**	**15,266**	**3,721**	**1,218**	**112,653**
Year ended November 30, 2018:						
Net sales (by location of customer)	11,250	75,231	17,589	4,299	1,051	109,420

	As at November 30, 2019					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Intangible assets and other assets (by location of division)	**-**	**2,314**	**271**	**-**	**-**	**2,585**
Plant and equipment (by location of division)	**6,211**	**5,665**	**1,954**	**-**	**-**	**13,830**

	As at November 30, 2018					
	Canada	United States	Asia	Europe	Other	Total
	$	$	$	$	$	$
Intangible assets (by location of division)	-	2,806	263	-	-	3,069
Plant and equipment (by location of division)	5,768	4,235	2,075	-	-	12,078

The Corporation's primary sources of revenue are as follows	Years ended **November 30, 2019**	November 30, 2018
	$	$
Sale of goods	**111,190**	102,810
Services	**1,463**	6,610
	112,653	109,420

Timing of revenue recognition based on transfer of control is as follows	Years ended **November 30, 2019** **$**	November 30, 2018 $
At a point of time	**111,190**	102,810
Over time	**1,463**	6,610
	112,653	109,420

During the year ended November 30, 2019, there were two customers in the United States that accounted for approximately 22.5% and 9.6% of the total net sales, respectively - the largest customer accounted for $25,350 of net sales (of which 84.0% was in Circuits and the remaining 16.0% in the Aerospace segment) and the second largest customer accounted for $10,850 of net sales (of which 88.1% was in Circuits segment and the remaining 11.9% in the Aerospace segment).

During the year ended November 30, 2018, there were two customers in the United States that accounted for approximately 16.6% and 10.5% of the total net sales, respectively - the largest customer accounted for $18,165 of net sales (of which 80.8% was in Circuits and the remaining 19.2% in the Aerospace segment) and the second largest customer accounted for $11,540 of net sales (of which 42.2% was in Circuits segment and the remaining 57.8% in the Aerospace segment).

CORPORATE DIRECTORY

DIRECTORS

Mike Andrade
Corporate Director and CEO, Morgan Solar

Robert J. Beutel
Chairman, Firan Technology Group Corporation, and Executive Officer, Oakwest Corporation Limited

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

Edward C. Hanna
Corporate Director

David F. Masotti
Corporate Director and Business Consultant

OFFICERS

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

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

CORPORATE HEAD OFFICE

Firan Technology Group Corporation
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Website: www.ftgcorp.com

GENERAL COUNSEL

Blake Cassels & Graydon LLP
P.O. Box 25
Commerce Court West
Toronto, Ontario M5L 1A9
Canada

TRANSFER AGENT

AST Trust Company (Canada)
P.O. Box 700, Postal Station B
Montreal, QC H3B 3K3
Canada
Toll free: 1-800-387-0825
Email: inquiries@astfinancial.com

AUDITORS

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto, Ontario M5K 1H1
Canada

STOCK LISTING

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

ANNUAL GENERAL MEETING

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

April 14, 2020, 10:30am (Toronto Time)
at the Toronto Board of Trade
77 Adelaide St. W., First Canadian Place, 3rd Floor
Ridout Room
Toronto, Ontario

HEAD OFFICE:

Firan Technology Group Corporation
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Website: www.ftgcorp.com

Circuits Facilities:

FTG Circuits – Toronto
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll Free: 1-800-258-5396

FTG Circuits – Chatsworth
20750 Marilla St.
Chatsworth, California
U.S.A. 91311
Tel: 818-407-4024
Fax: 818-407-4034

FTG Printronics Circuits Ltd.
Suite 209-210, Area A-1
No 53 Hanghai Rd.
Airport Industrial Park
Tianjin, P.R. China, 300308
Tel: 86-(0) 22-84918133

FTG Circuits – Fredericksburg
1026 Warrenton Road,
Fredericksburg, Virginia
U.S.A. 22406
Tel: 540-752-5511
Fax: 540-752-2109

Aerospace Facilities:

FTG Aerospace – Toronto
10 Commander Blvd.
Toronto, Ontario M1S 3T2
Canada
Tel: 416-438-6076
Fax: 416-438-8065

FTG Aerospace – Chatsworth
20736 & 20740 Marilla St.
Chatsworth, California
U.S.A. 91311
Tel: 818-407-4024
Fax: 818-407-4034

FTG Aerospace – Fort Worth
4084 Sandshell Drive
Fort Worth, Texas
U.S.A. 76137
Tel: 817-332-3980
Fax: 817-336-2759

FTG Aerospace – Tianjin
225 Jinger Road
Aviation Industry Zone
Building 2 Block 1-B
Tianjin Airport Economic Area
Tianjin, P.R. China, 300308
Tel: 86-(0) 22-84476268