FIRAN TECHNOLOGY GROUP CORPORATION

TSX: FTG

ANNUAL INFORMATION FORM
For the year ended November 30, 2017

February 8, 2018

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NOTICE TO INVESTORS

Interpretation

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

The Corporation presents its financial statements in Canadian dollars. In this AIF, references to "$", "dollars" or "Canadian dollars" are to Canadian dollars, references to "U.S. $" or "U.S. dollars" are to United States dollars and references to "RMB" are to the Renminbi of the People's Republic of China. Amounts are stated in Canadian dollars unless otherwise indicated. Except as otherwise noted, the information in this AIF is given as of February 8, 2018.

Forward-Looking Statements

Certain statements in this AIF, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of FTG. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of FTG, 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 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; government regulation and legislation; and FTG's ability to successfully anticipate and manage the foregoing risks.

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

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

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

1. CORPORATE STRUCTURE

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

FTG is a result of the amalgamation between Circuit World Corporation and Firan Technology Group Inc. on August 30, 2003 pursuant to articles of amalgamation under the *Canada Business Corporations Act*. Prior to this, the Corporation was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. These articles were subsequently amended. The material amendments were as follows:

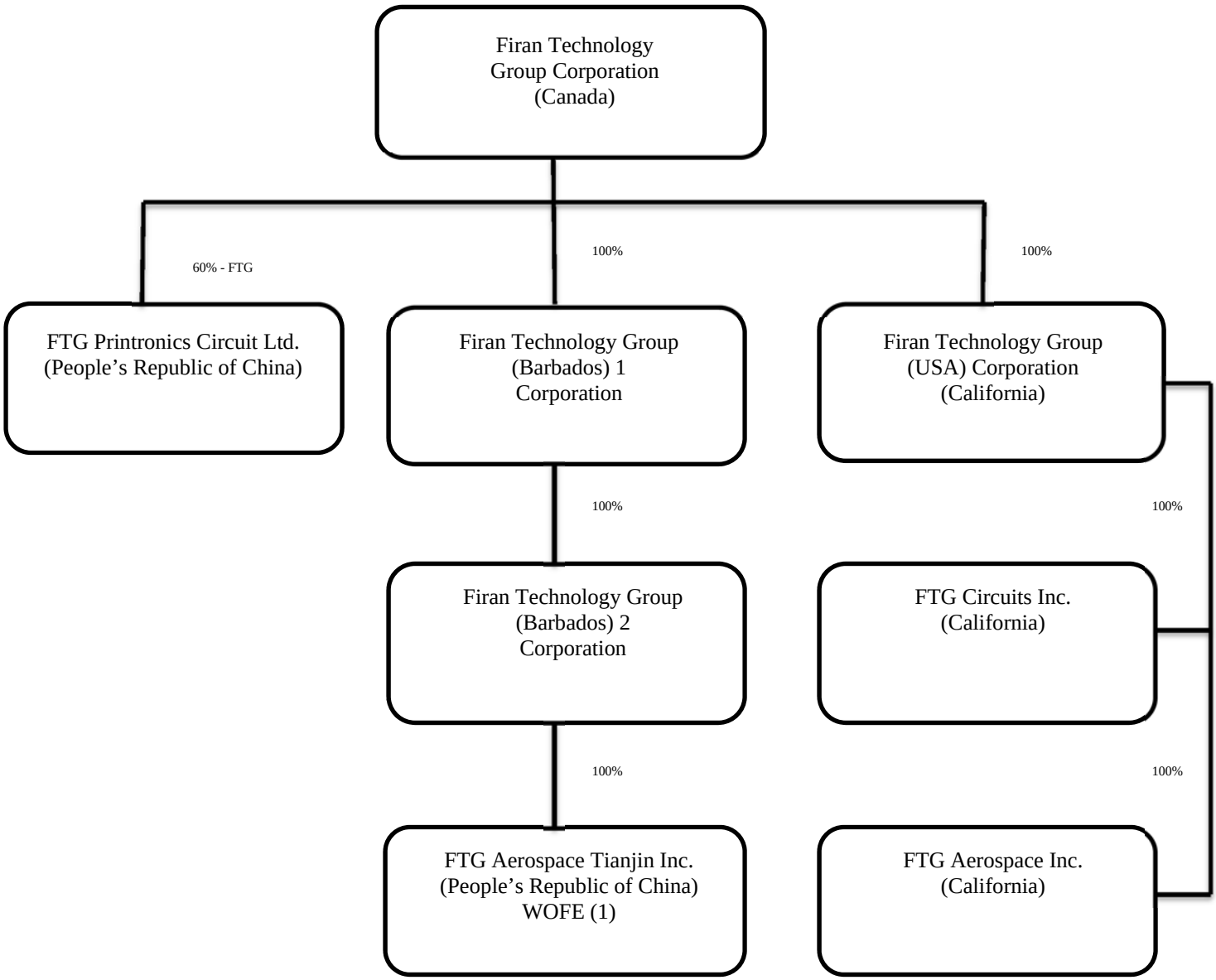
June 2, 1995	To change its corporate name to "Circuit World Corporation".
December 29, 1998	To consolidate the outstanding common shares, common share options and warrants so that 40 common shares became 1 common share.
May 18, 2004	To change its corporate name to "Firan Technology Group Corporation".

2. INTERCORPORATE RELATIONSHIPS

Firan Technology Group Corporation has two direct wholly owned subsidiaries, (i) Firan Technology Group (USA) Corporation ("FTG USA"), which in turn owns 100% of the voting securities of FTG Circuits Inc. and FTG Aerospace Inc., and (ii) 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 the FTG Aerospace Tianjin Inc.

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

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



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

3. GENERAL DEVELOPMENT OF THE BUSINESS *(OVER THE LAST 3 YEARS)*

On January 30, 2015, the Corporation announced it had signed a supply contract with Shanghai Avionics Corporation ("SAVIC") for the design, development, certification support and long term production of various Control Panel Assemblies for the Display System on the new COMAC C919 aircraft. This contract replaced the letter of intent between FTG and SAVIC first announced on May 29, 2012.

On February 9, 2015, the Corporation announced a new forty-two month long term agreement with Rockwell Collins for the supply of Printed Wiring Boards. The agreement incorporates a variety of technologies for use on major airframe platforms across Business Regional, Air Transport and Government Systems market applications.

On March 19, 2015, the Corporation announced its FTG Aerospace - Toronto facility had been qualified by the United States Department of Defense for the supply of cockpit panels in accordance with MIL-DTL-7788. The approval scope includes all types of illuminated panels manufactured with incandescent lamps, LEDs, and most types manufactured with electroluminescent lamps. In addition to the full range of illuminated colors, the approval includes night vision compatible panels for the above three light sources.

On April 1, 2015, the Corporation announced its FTG Circuits – Toronto facility had increased its qualification by the United States Department of Defense to include flexible and rigid flex circuit boards under Military Specification MIL-PRF-31032. This certification was in addition to the multiple existing certifications for a wide range of technologies already held by the facility.

On April 9, 2015, the Corporation announced Mr. Ray Harris had stepped down as Chairman of the Board while remaining as a member of the Board and remaining as Chairman of the Audit Committee. Mr. Robert Beutel will assume the role of Chairman of the Board.
On August 10, 2015, the Corporation announced a new contract with its represented employees at its FTG Aerospace – Toronto facility had been negotiated and ratified. The contract is for four years and had similar improvements in wages and benefits to the contract negotiated in 2014 with the employees at the FTG Circuits – Toronto facility.

On September 3, 2015, the Corporation announced that the cockpit control panel assemblies being developed for SAVIC as part of the Display System for the Chinese C919 aircraft, have received airworthiness tags from the CAAC. These airworthiness tags indicate that the Control Panel Assemblies have passed Conformity Inspection in accordance with CAAC regulations. The Product is expected to be integrated into Aircraft 101 and will be part of the C919 first flight.

On October 13, 2015, the Corporation announced it had successfully completed a Rockwell Collins audit of their joint venture, FTG Printronics Circuits Ltd., located in Tianjin China. Having passed all required qualification levels of the audit, FTG Printronics became a qualified supplier of PWB's to Rockwell Collins.

On November 18, 2015, the Corporation announced that Tianjin Printronics Circuit ("TPC") had achieved Nadcap accreditation at its printed circuit board manufacturing facility located in Tianjin China. FTG and TPC entered a joint venture, FTG Printronics Circuit, in 2013 to offer printed circuit boards from China to Aerospace customers around the world and the Nadcap accreditation

is a critical requirement from many of these customers. The accreditation is under the categories AC7119, AC7119/1 and AC7119/3 Electronics: printed circuit boards. It is now one of only five printed circuit board manufacturers in China that have this Nadcap accreditation, and one of only three of these have been accredited to the supplementary AC7119/3 High density Interconnect (HDI) printed circuit board / IPC 6012 class 3 requirements.

On December 1, 2015, the Corporation announced that it renewed and amended (further amended in April 2016 and January 2018) its banking agreement with HSBC Bank Canada ("HSBC"). The newly amended committed four-year credit facility is a combination of:

- U.S. $19,000,000 4-year committed Operating Facility, Revolving and Non-Revolving facilities.
- U.S. $46,000,000 Foreign Exchange and Precious Metals Forward Contracts Lines.
- U.S. $10,000,000 Interest Swap Line.

On February 16, 2016, the Corporation announced that it had renewed two long-term agreements with a prominent US based Aerospace, Space and Defense Contractor for its FTG Circuits Toronto and Chatsworth facilities. The agreements are for the supply of a variety of high technology Printed Circuit Boards used on major airframe platforms across Business, Regional, Air Transport, Space and Defense applications. The products FTG will support range from integrated avionics and engines to space systems. Under the terms of the agreement, estimated at over $10 Million USD annually, FTG will manufacture and supply a full range of Printed Circuit Board products for several locations around the world.

On February 24, 2016, the Corporation announced that its FTG Circuits - Chatsworth California facility (incorporated as FTG Circuits Inc.) had been qualified to the Department of Defense performance specification MIL-PRF-31032/3 (Flexible printed wiring boards) and MIL-PRF-31032/4 (Flex-rigid printed wiring boards). The MIL-PRF-31032 qualification allows FTG Circuits - Chatsworth to continue to manufacture and certify products to MIL-PRF-50884. The qualified technical scope allows FTG Circuits - Chatsworth to manufacture and certify high technology (HDI) flex and flex rigid printed wiring boards that contain up to 35 layers, includes micro vias and a variety of surface finishes and other technical attributes. This advanced technical scope positions the site as one of the top two technically qualified flex / rigid flex manufacturers in the world.

On March 21, 2016, the Corporation announced that its US subsidiary FTG Aerospace Inc., based in Chatsworth California, had acquired substantially all of the assets of Airco Industries LLC (doing business as "Photo Etch"), a Texas based designer and manufacturer of a full portfolio of cockpit products, electronic assemblies and simulator solutions. The transaction was effected pursuant to an asset purchase agreement entered into between FTG Aerospace Inc., PhotoEtch, and PhotoEtch's parent company. Under the terms of the acquisition, FTG Aerospace Inc. acquired modern and advanced processing equipment, product designs, process know-how, PhotoEtch's customer contracts as well as the working capital of PhotoEtch.

On May 3, 2016, the Corporation announced that it had been awarded a new five-year long term agreement with Korry Electronics Company for the supply of cockpit control panels for the Bombardier C-Series Aircraft. The agreement was the result of many years of cooperation to develop and qualify the cockpit control panels for this newly developed aircraft.

On June 27, 2016, the Corporation announced it had entered into a licensing agreement between Corporation and EarthOne Circuit Technologies Corporation ("EarthOne"), whereby the Corporation would license the eSurface technology owned by EarthOne for use in the manufacture of printed circuit boards. The eSurface technology is proprietary to EarthOne and is used to prepare a wide array of surfaces for metallization. This technology enables printed electronics on a wide range of materials, can work on three dimensional geometries, can yield finer traces with better edge geometries and is a large step towards additive manufacturing. The Corporation's FTG Circuits - Chatsworth facility will be the first to implement the eSurface technology.

On July 8, 2016, the Corporation announced that its US subsidiary, FTG Circuits Inc. had acquired substantially all of the assets of the Printed Circuit Technology division ("Teledyne PCT") of Teledyne Technologies Inc.("Teledyne") For more information see "Significant Acquisitions."

On July 18, 2016, the Corporation announced that it has been awarded a new contract to supply over 600 cockpit panels and panel assemblies, representing equipment for 6 simulators for a new military tanker aircraft program in the United States. The contract includes the design of over 100 distinct part numbers including both cockpit panels and assemblies. The contract is expected to run through 2017. The contract was bid and won from FTG's recently acquired business in Fort Worth Texas. All design work will be completed by the engineering team in Fort Worth. The production is planned for FTG Aerospace – Chatsworth.

On July 21, 2016, the Corporation announced Mr. Mike Andrade had joined FTG's Board of Directors. In conjunction with this, he was also appointed to the Audit Committee and the Corporate Governance/Compensation Committee. Mr. Andrade has extensive experience in the electronics industry. He is currently Chief Executive Officer of Morgan Solar. Prior to this he was President, Diversified Markets at Celestica where he spent over twenty years of his career.

On August 24, 2016, the Corporation announced that its FTG Aerospace Chatsworth business had won a top supplier award from Lockheed Martin Aeronautics for outstanding performance in 2015. To be considered for this award, suppliers must maintain a 99 percent on-time delivery rating with a 100 percent quality rating. FTG was selected as a top supplier from the over 1,200 suppliers used by Lockheed Martin Aeronautics.

On September 6, 2016, the Corporation announced the retirement of Joseph R. Ricci, Vice President and CFO. Joe remained with the Corporation in an advisory role to ensure an orderly leadership transition to the new CFO over the next number of months. The Corporation also announced that Melinda Diebel would assume the role of Vice President and CFO. Melinda has extensive experience in senior finance roles within manufacturing, most recently serving as the CFO and VP, Finance of Automodular Corporation.

On November 23, 2016, the Corporation announced that it had been selected as a 2016 CIX Public Top 20 Most Innovative Company. The CIX (Canadian Innovation Exchange) Public Top 20 is a unique program designed to showcase Canada's most innovative public technology companies. This program is unique to any other showcase event in Canada as the selection committee evaluated and rated the hottest companies based primarily on their innovation.

On January 10, 2017 the Corporation announced that it has been awarded a new three-year Long Term Agreement (LTA) from one of the leading global Original Equipment Manufacturers supporting the Aerospace Market. The agreement incorporates a variety of high technology Printed Circuits boards for use on key fixed wing platforms including the Boeing 787, Airbus A350, A400M, and the Bombardier C-Series. The new LTA is estimated at over $12 Million USD.

On March 28, 2017 the Corporation announced that is has signed an amendment to a five year Long Term Agreement (LTA) from one of the leading global Original Equipment Manufacturers supporting the aerospace market. The amendment covers the transition of product from the PhotoEtch acquisition to existing FTG Aerospace facilities. The agreement acknowledges that FTG has retained 100% of the business. The product to be supplied will support major platforms for both Commercial and Government programs. The products will be manufactured utilizing existing capacity within FTG's Aerospace facilities located in Canada, USA, and China.

On May 8, 2017 the Corporation celebrated the first Chinese-built passenger jetliner completing its first flight on May 5, 2017 from Shanghai Pudong International Airport. The COMAC C919 is a narrow-body twin engine airliner being developed by Chinese aerospace manufacturer COMAC, to meet growing Chinese domestic air transportation demand, as well as for export sale globally. As of today, COMAC has received 570 orders from over 20 customers. FTG was selected as a supplier for the C919 aircraft in 2013 and signed a long term Supply Contract with AVIC's subsidiary – Shanghai Avionics Corp. (SAVIC) for Control Panel Assemblies in 2015. Under the Supply Contract, FTG will design, develop, manufacture and supply the Display Suite Control Panel Assemblies in FTG's facilities in Toronto, Canada and Tianjin, China. The Supply Contract covers a minimum of 1,440 production ship sets consisting of 9 control panel assemblies per set.

On October 17, 2017 FTG Aerospace Toronto, a business division of the Corporation today announced it received a multi-million dollar contract award from CAE USA located in Tampa, FL for the development and delivery of simulated C-130 cockpit control devices. FTG will provide its latest iteration of high fidelity simulated equipment to support CAE's various full motion flight simulators. Engineering, customer support and production for the contract will be performed in Toronto, Canada with first deliveries executed in early FY 2018 and will continue through to Q2 2018.

Significant Acquisitions

On July 8, 2016, the Corporation through its wholly-owned subsidiary FTG Circuits Inc. completed the acquisition (the "Acquisition") of substantially all of the assets of Teledyne PCT. Teledyne PCT designs and manufactures rigid-flex circuit boards and assemblies used in the defence of aerospace and oil and gas industries.

The purchase price for the acquired assets in the Acquisition was US$9,300,000 plus the assumption by FTG Circuits Inc. of certain of the liabilities of Teledyne that were related to Teledyne PCT. The purchase price was subject to adjustment after the closing date based on (i) the amount by which the net working capital of Teledyne PCT included in the acquired assets at the closing exceeds or falls short of approximately US$6,800,000 and (ii) the amount by which the value of the fixed assets of Teledyne PCT included in the acquired assets as determined in accordance with generally accepted accounting principles in the United States exceeds or falls

short of approximately US$2,500,000. This was subsequently settled with no change to the purchase price. The Corporation also paid to Teledyne PCT on the closing date, separate from the purchase price, retention bonuses of US$742,000 and US$100,000 towards the cost of the audit of the Teledyne PCT financial statements.

The Corporation financed the Acquisition through (a) the net proceeds from a private placement of 3,450,000 special warrants (the "Special Warrants") of the Corporation sold for a price of $2.00 per Special Warrant for gross proceeds of CAD$6,900,000; and (b) approximately US$5,200,000 under the Corporation's existing credit facilities comprised of US$2,600,000 from its revolving facility and US$2,600,000 from its term facility.

On June 22, 2016, the Corporation filed a short-form prospectus with securities regulators in the Provinces of Ontario, British Columbia and Alberta qualifying for distribution 3,450,000 subscription warrants (the "Subscription Warrants") issuable for no additional consideration upon the deemed exercise of the Special Warrants. Each Subscription Warrant entitled the holder thereof to receive one common share of the Corporation upon closing of the Acquisition. Following closing of the Acquisition, 3,450,000 common shares of the Corporation were issued to holders of the subscription warrants. The Corporation filed a business acquisition report with respect to acquisition on July 26, 2016 on SEDAR at www.sedar.com.

4. DESCRIPTION OF THE BUSINESS

General

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

FTG Circuits

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. FTG Circuits has manufacturing operations in Toronto, Ontario, Chatsworth, California ("FTG Circuits – Chatsworth) and Tianjin, China, along with a sourcing arrangement with another operating facility in China. Its customers are technological and market leaders in the aviation, defence and other high technology industries. The FTG Circuits segment accounted for approximately 62.4% of the Corporation's revenue during fiscal 2017 (approximately 65.2% during fiscal 2016).

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

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

FTG Circuits' customer base has 141 active customers and 57.2% (58.0% in fiscal 2016) of total sales came from its top five customers in fiscal 2017. FTG Circuits has supply agreements with major customers for defined periods of time and at defined prices. Future contracts are dependent on acceptable performance with regard to price, quality and delivery.

FTG Aerospace

FTG Aerospace manufactures illuminated cockpit panels, keyboards, bezels and sub-assemblies and assemblies for OEMs of avionics products as well as for airframe manufacturers around the world. These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft. The FTG Aerospace segment accounted for approximately 37.6% of the Corporation's revenue during fiscal 2017 (approximately 34.8% during fiscal 2016).

FTG Aerospace's customer base totals 134 active customers, with approximately 59.7% (57.1% in fiscal 2016) of total sales coming from its top five customers in fiscal 2017. FTG Aerospace has supply agreements with major customers for defined periods of time and at defined prices. Future contracts are dependent on acceptable performance with regard to price, quality and delivery.

Business Outlook

The aerospace and defence 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 at record levels. This, combined with new aircraft such as the Boeing 787 and the Airbus A350, as well as the updates of the Boeing 737 and Airbus A320 bodes well for this market in the coming years. The Corporation believes that both companies are driving to increase their annual production volumes across much of their product lines. The Corporation also believes that there are new entrants into this market for single aisle aircraft which will potentially create new supply opportunities for lower tier suppliers. These new entrants include Bombardier's C-Series, which is just entering into service, and China's C-919 aircraft, both of which are important for FTG.

The end customer has shifted within the commercial aircraft market, 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 intensifies. This is coming from airframe manufacturers in the west as well as new entrants from China and other Asian countries.

The general aviation, business jet and regional jet industry segment had seen a market slowdown in the period 2015 to 2017. Market share for key OEMs has also changed over the past number of years with Bombardier, a key customer of FTG, losing share in the turbo-prop and regional jet markets while maintaining a strong position in business jets.

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 is increasing. The U.S. appears to have passed the bottom of their defense spending trough and growth is expected as Republican controlled governments typically spend more on defense. In Canada, defence 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.

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 should be able to grow our market share.

There are other economic factors, outside the aerospace and defence 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, to have more facilities outside of Canada and to increase 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 Bombardier's C-Series 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.

In the second quarter of 2016, FTG acquired the assets of Photo Etch, a competitor in the cockpit products business. This acquisition is expected to improve utilization rates for FTG's newer

Aerospace facilities, particularly in Chatsworth California after a transition period. It also brings new customers and new technologies to FTG.

In the third quarter of 2016, FTG acquired the assets of Teledyne PCT. The acquired technology and customer base will expand FTG's offering in rigid flex technology and the US defense market. The majority of the work is expected to transition to FTG's Chatsworth facilities again improving utilization rates and profitability.

Finally, FTG will continue 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.

Customers

FTG Circuits' customers consist primarily of large, multinational OEMs as well as contract manufacturers in the aviation, defence, and other high technology industries. Its customers include Honeywell Aerospace (a subsidiary of Honeywell International Inc. ("Honeywell") Rockwell Collins, GE Aviation, GE Transport, (subsidiaries of the General Electric Company), CAE Electronics (a subsidiary of CAE, Inc. ("CAE"), Celestica Inc., Plexus Corp., Jabil Circuits Inc., Hamilton Sundstrand, (a subsidiary of United Technologies Corp. ("UTC") and Teledyne.

FTG Aerospace sells to avionics and airframe manufacturers, with the majority being large, multinational OEMs. Customers include Rockwell Collins, Bombardier, Honeywell, GE Aviation, Bell Helicopter, CAE, Shanghai Avionics Corporation (SAVIC), Flight Safety International ("FSI") and Luoyang Institute of Electro-Optical Equipment (LIEOE).

The following table summarizes the Corporation's sales in its principal markets over the last two years:

Market	Fiscal 2017	Fiscal 2016
Canada	10.5%	10.6%
United States	72.7%	72.3%
Asia	11.1%	9.4%
Europe	4.6%	6.5%
Other	1.1%	1.2%

Sales and Marketing

The Corporation utilizes a blend of both direct salespeople and manufacturers' representatives for sales and marketing. The Corporation's direct sales people are located in Ontario, Canada, and in Texas, Florida, New Hampshire and Kentucky in the United States. The Corporation's direct sales

representatives are responsible for both selling products and managing the manufacturers' representatives in their respective areas.

Facilities

The following table describes FTG's current facilities:

Location	Usage	Size in Square Feet	Status	Lease Expiry	Option
250 Finchdene Square Toronto Ontario Canada	Printed Circuit Boards	84,093	Leased	June 30, 2019	Option to renew further 5 years
10 Commander Blvd. Toronto, Ontario Canada	Cockpit Instruments	33,575	Leased	November 30, 2027	Option to renew for 2, 5-year terms.
20750 Marilla St. Chatsworth, California U.S.A.	Printed Circuit Boards	22,000	Leased	December 31, 2019	Not available at this time .
20740 Marilla St. Chatsworth, California U.S.A.	Cockpit Instruments	13,400	Leased	June 30, 2018	Option to renew for 4 one year terms.
20736 Marilla St. Chatsworth , California USA	Cockpit Instruments	7,200	Leased	June 30, 2018	Option to renew for 4 one year terms.
21612 Osborne St Canoga Park, California	Storage	10,538	Leased	July 31, 2019	One option to extend for 1 year
225 Jinger Road Aviation Industry Zone Building 2 Block 1-B Tianjin Airport Economic Area Tianjin, P.R. China	Cockpit Instruments	18,590	Leased	January 31, 2019	Option to renew for 2, 4-year terms.
4084 Sandshell Drive Fort Worth, Texas USA	Cockpit Instruments Engineering Office	6,410	Leased	December 1, 2021	Option to renew further 5 years
53 Hanghai Road Building 4-2 Zone C Tianjin Airport Economic Area Tianjin, P.R. China	Printed Circuit Boards (JV)	26,289	Leased	December 31, 2019	Not available at this time.

Competitive Conditions

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

The manufacture of low technology circuit boards in small volumes does not generally require a large investment in plant and equipment. Consequently, there are a large number of manufacturers

in this sector with most of the production having migrated offshore to Asia. High-technology multi-layer printed circuit boards involve a higher level of material and process technology and, therefore, a substantially larger investment in plant and equipment is required. With higher barriers to entry, only a limited number of companies operate in this sector compared to the much larger number of companies manufacturing low-technology printed circuit boards. FTG's focus is on aerospace, defence and other high reliability markets. The Corporation's product focus is in the high technology areas, such as high density multi-layer circuitry, rigid flex, high frequency and thermal management applications.

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

Source, Pricing and Availability of Raw Materials

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

FTG Aerospace uses printed circuit boards, switches and lamps, all of which are in ample supply and overall are seeing less inflationary pressures.

Environmental Requirements

There are a number of ways in which the manufacture of high-density, multi-layer printed circuit boards by FTG could potentially impact the environment. Inherent in virtually all production steps is the need for a variety of chemicals and their use, treatment and disposal must be managed properly. The Corporation's environmental policy provides the strategic framework for meeting environmental objectives. The Corporation's goal is to support this policy with corporate direction and procedures that govern all aspects of the Corporation's operations, which in turn will strengthen the Corporation's environmental management system. The Corporation has continued to make improvements in the environmental area. The necessary capital expenditure has put in place adequate waste management capacity in support of the Corporation's current and future

manufacturing requirements and will ensure ongoing compliance with local environmental standards. The Corporation also believes that its facilities currently meet all other environmental standards or guidelines and are compliant with municipal, provincial, state and federal agencies' regulations.

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

Employees

As at November 30, 2017, the Corporation employed 499 full time persons, of which 177 are unionized employees at the FTG Circuits – Toronto and the FTG Aerospace – Toronto facilities. None of the salaried personnel across the Corporation or the hourly personnel in FTG Circuits – Chatsworth, FTG Aerospace - Chatsworth or FTG Aerospace - Tianjin or FTG Printronics Circuits are represented by a union. Of the 499 employees, 193 are employed in the Aerospace Segment, 277 in the Circuits Segment and 29 in the Corporate Segment.

On July 19, 1993, the Corporation's hourly employees at FTG Circuits - Toronto were granted certification with Unifor Canada and its Local 124. The Corporation and the union have a four-year collective agreement in place for the employees at FTG Circuits – Toronto which expires on July 8, 2018.

On September 21, 2011, the Corporation's hourly employees at FTG Aerospace - Toronto were granted certification with Unifor Canada and its Local 303. The Corporation and the union have a four-year collective agreement in place for the employees at FTG Aerospace - Toronto which expires on August 7, 2019.

Risk Factors

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

Market Volatility Risk

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

Competition

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

Changes in Technology

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

Customer Concentration

In general, reliance on key customers is a risk facing the Corporation. For the year ended November 30, 2017, sales to the Corporation's two largest customers accounted for 17.8% (18.0% in fiscal 2017) and 17.0% (14.8% in fiscal 2016) of sales, respectively. In fiscal 2017, the top five customers accounted for 53.8% (53.4% in fiscal 2016) and the top ten customers accounted for 68.3% (68.6% in fiscal 2016).

Foreign Currency Exchange

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

Dependence on Key Personnel

The Corporation's future performance and development will depend, to a significant extent, on the efforts and abilities of its executive officers and key management personnel. The loss of the services of one or more of these individuals could harm the Corporation. If one or more members of the Corporation's senior management or key professionals were to resign, the loss of personnel could result in loss of sales, delays in new product development and diversion of management

resources, any of which could have a negative effect on the Corporation's business. The Corporation's success depends largely on the Corporation's ability to attract, develop and retain skilled key employees.

Aging Workforce

The Corporation's current and future performance relies on the skill set of an aging workforce who have developed their unique skills over a large number of years. At present, 60% (62% in 2016) of the Corporation's North American staff and 64% (73% in 2016) of the executive team are over the age of 50. The Corporation will need to develop succession plans to replace appropriate personnel. The risk may be that the developed skill set may not be available when needed.

Labour Risks

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

The Corporation's collective agreements with hourly employees at FTG Circuits – Toronto and FTG Aerospace – Toronto expire July 8, 2018 and August 7, 2019, respectively. The Corporation may not be able to reach suitable agreements without a labour disruption or without agreeing to significant increases in wages or employee benefits. Although the Corporation has not experienced any prolonged labour disruptions in the recent past, future industrial action or the threat of future industrial action by the Corporation's employees in response to any future efforts by management to reduce labour costs, restrain wage increases or modify work practices could adversely affect the Corporation's business by disrupting operations or constraining the Corporation's ability to carry out any such efforts. In the event of a labour disruption, such as a strike or lock-out, the Corporation's results from operations could be materially and adversely affected.

Acquisition Risks

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

- assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition was negotiated;
- valuation methodologies may not accurately capture the value of the acquired business;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- difficulties relating to combining previously separate entities into a single, integrated, and efficient business;
- the effects of diverting management's attention from day-to-day operations to matters involving the integration of acquired companies;
- potentially substantial transaction costs associated with business combinations;
- potential impairment resulting from the overpayment for an acquisition;

- difficulties relating to assimilating the personnel, services, and systems of an acquired business and to assimilating marketing and other operational capabilities;
- increased burdens on the Corporation's staff and on its administrative, internal control and operating systems, which may hinder its legal and regulatory compliance activities; and
- difficulties in applying and integrating the Corporation's system of internal controls to an acquired business.

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

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

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

Expansion Risks

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

Litigation and Product Liability

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

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

Production Capabilities Elsewhere

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

Reliance on Suppliers

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

Credit Risk of Customers

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

Compliance with Environmental Laws

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

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

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

The Corporation has manufacturing facilities in Toronto, Ontario, Chatsworth, California, Fort Worth Texas and Tianjin, China. The destruction or closure of any of these manufacturing facilities for a significant period of time as a result of fire, explosion, act of war or terrorism, flood, blizzard, tornado, earthquake, lightning, or other natural disaster could increase the Corporation's

costs of doing business and harm its ability to deliver manufacturing services on a timely basis and, consequently, could harm its operating results.

Operating Results Subject to Fluctuations

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

- changes in future exchange rates;
- changes in overall demand for the Corporation's products;
- changes in expected customer timing of new product introductions;
- changes in OEM customer manufacturing yields throughout their products' life cycles;
- changes in the specific products the Corporation's customers purchase;
- changes in the Corporation's selling prices;
- changes in utilization of the Corporation's production capacity;
- changes in the Corporation's infrastructure costs;
- changes in the Corporation's manufacturing process, or problems related to the Corporation's manufacturing process;
- changes in the Corporation's manufacturing yields;
- changes in the Corporation's production efficiency; long disruptions in operations at any of the Corporation's plants for any reason; and
- changes in the cost of, or limits on, available materials and labour.

Possible Intellectual Property Claims

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

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

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

Demand for Customers' Products

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

Industry Consolidation Risk

The Aerospace and Defense industry includes many small and medium sized companies and is therefore subject to potential consolidation, the result of which would be a reduction in the number and an increase in the size of companies that compete with the Corporation. If the Corporation's competitors consolidate, they likely will increase their market share, gain economies of scale that

enhance their ability to compete with the Corporation and/or acquire additional expertise, products and technologies that could displace the Corporation's solutions, services, and product offerings. Consolidation within the Corporation's customers' industries could affect the Corporation's customers and their relationships with the Corporation. If one of the Corporation's competitors' customers acquires any of the Corporation's customers, the Corporation may lose that business. Additionally, as the Corporation's customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including the Corporation.

Continued Financing

The Corporation's ability to execute its long-term strategy may depend on its ability to obtain additional long-term debt and equity capital. The Corporation's current credit facilities mature on November 25, 2020 and the Corporation may be unable to obtain future additional financing on terms acceptable to the Corporation, or at all. If the Corporation fails to comply with certain covenants relating to its indebtedness, it may need to refinance its indebtedness to repay it. The Corporation may need to refinance its indebtedness at maturity. The Corporation may not be able to obtain additional capital on favourable terms to refinance its indebtedness. The following factors could affect the Corporation's ability to obtain additional financing on favourable terms, or at all: the Corporation's results of operations; general economic conditions and conditions in the aerospace and defence industry; the perception in the capital markets of the Corporation's business; the Corporation's ratio of debt to equity; the Corporation's financial condition; the Corporation's business prospects; changes in interest rates; and general economic conditions.

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

Significant Shareholder's Ability to Influence Matters Requiring Shareholder Approval

As at February 8, 2018, Oakwest Corporation Limited ("Oakwest") beneficially owns approximately 19.47% of the outstanding Common Shares and controls approximately 18.06% of the votes that may be cast at meetings of the shareholders of the Corporation. Because of its large shareholdings relative to the holdings of other shareholders, Oakwest, together with related parties, has a strong influence over matters requiring approval by the shareholders of the Corporation.

Share Price Volatility Risk

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

- revenue, margins, order bookings or results of operations in any quarter failing to meet the expectations, published or otherwise, of the investment community;
- changes in recommendations or financial estimates by industry or investment analysts;
- changes in management or the composition of the Corporation's board of directors;
- outcomes of litigation or arbitration proceedings;
- announcements of technological or competitive developments by the Corporation or its competitors;
- introduction of new products or the gain or loss of significant customer contracts or relationships by the Corporation or its competitors;
- developments with respect to the Corporation's intellectual property rights or those of the Corporation's competitors;
- rumours or dissemination of false and/or misleading information;
- fluctuations in the share prices of other companies operating in business sectors comparable to those that the Corporation operates in;
- changes in the industries in which the Corporation or its customers operate;
- general market or economic conditions; and
- other risk factors set out in this AIF.

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

Product Performance Warranty and Casualty Claim Losses

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

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

Insurance Coverage Risk

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

Conducting Business in Foreign Jurisdictions

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

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

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

Income and Other Taxes

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

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

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

As of November 30, 2017, the Corporation had $3.8 million in net intangible assets as a result of its 2016 acquisitions Assets and $0.4 million of Canadian Deferred Income Tax Assets and $6.4 million of Canadian Investment Tax Credits receivable and $1.7 million of Canadian Deferred Taxes payable related to the Investment Tax Credits. The Corporation assesses its Intangible Assets, Deferred Income Tax Assets, Investment Tax Credits receivable and Deferred Taxes payable for impairment and the estimated useful lives of these items on an annual basis, taking into consideration any events or circumstances that might result in either a diminished fair value, or for a revised useful life. These events and circumstances include significant changes in the business climate, legal factors, operating performance indicators, advances in technology and competition. Any impairment or revised useful life could have a material and adverse effect the Corporation's financial position and results of operations, and could materially adversely affect its share price.

Government Regulation and Legislation

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

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

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

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

Security Breaches or Disruptions of Information Technology Systems Risk

The Corporation utilizes a variety of information technology systems to manage and operate its businesses. These information systems may be owned and maintained by the Corporation, outsource providers or third parties such as customers, vendors and contractors. These information systems are subject to attacks, failures, and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines and networking equipment. Despite the implementation of extensive security measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems), the Corporation's information technology systems are potentially vulnerable to interruptions or delays, unauthorized access, computer viruses, cyber-attack and other events, ranging from individual attempts to advanced persistent threats. It is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Corporation be unable to prevent security breaches, disruptions could have an adverse effect on the Corporation's operations and financial results, as well as expose the Corporation to litigation, increased cyber security protection costs, and reputational damage.

Internal Controls Risk

Effective internal controls are necessary for the Corporation to provide reliable financial reports and effectively prevent fraud. Under Canadian securities law requirements, the Corporation's Chief Executive Officer and Chief Financial Officer are required to certify that they are responsible for establishing and maintaining disclosure controls and internal controls over financial reporting for the Corporation, that those disclosure controls and internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Corporation maintains compliance with Canadian

securities law requirements by strengthening, assessing and testing the system of internal controls to provide the basis for the certification. However, the continuous process of strengthening the Corporation's internal controls and complying with Canadian securities law requirements is expensive and time consuming. The Corporation cannot be certain that the measures it is taking will ensure that it maintains adequate control over financial processes and reporting. Furthermore, as the Corporation grows its business, the controls will become more complex and the Corporation could require more resources to ensure its internal controls remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent registered public accounting firm discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's audited consolidated financial statements and harm its share price. In addition, future non-compliance with the Canadian securities law requirements could subject the Corporation to a variety of administrative sanctions, including the suspension of trading or delisting of its common shares, which could materially adversely affect its share price.

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

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

Dependence on Performance of Subsidiaries Risk

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

Export Control Regulations

The world security landscape is constantly changing and this results in tighter import and export compliance requirements being imposed by many countries, including Canada and the United States which may restrict access by the Corporation to opportunities from the USA and the rest of the world.

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

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

5. DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preference shares, issuable in series, of which is outstanding a series of voting convertible preference shares Series 1 (the "Preferred Shares"). As at February 8, 2017, the Corporation had outstanding 22,676,201 Common Shares and 1,775,000 Preferred Shares. The Preferred Shares are convertible into Common Shares on a one-for-one basis at the option of the holder and, upon the satisfaction of certain financial thresholds which the Corporation does not expect to meet, at the option of the Corporation. Each Common Share and each Preferred Share carries the right to one vote. The Common Shares represent 92.74% of the aggregate voting rights attached to the Corporation's outstanding voting shares. On liquidation, holders of Preferred Shares are entitled to a preference over holders of Common Shares in respect of dividends and any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation. Holders of the Preferred Shares are 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.

6. DIVIDENDS

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

7. TRADING PRICES AND VOLUME OF SECURITIES

The Common Shares are traded on the Toronto Stock Exchange, under the symbol "FTG". The following table sets out the trading history for the Common Shares for each of the periods indicated since the beginning of fiscal 2017.

Month	Monthly High	Monthly Low	Trading Volume
December 2016	$4.84	$3.80	1,975,500
January 2017	$4.48	$3.77	1,451,600
February 2017	$4.11	$3.34	1,625,300
March 2017	$4.64	$3.60	957,200
April 2017	$4.55	$3.90	704,800
May 2017	$4.62	$4.20	379,100
June 2017	$4.65	$3.70	900,700
July 2017	$3.90	$3.32	1,087,100
August 2017	$3.98	$3.39	560,400
September 2017	$3.85	$2.80	767,500
October 2017	$3.75	$3.43	556,000
November 2017	$3.70	$3.50	246,900

8. DIRECTORS AND OFFICERS

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

Office	**Name**	**Region of Residence**	**Principal Occupations within Five Preceding Years**
President and Chief Executive Officer	Bradley C. Bourne	Mississauga, Ontario, Canada	President and Chief Executive Officer
Vice President, Chief Financial Officer and Corporate Secretary	Melinda A. Diebel	Leaskdale, Ontario, Canada	Vice President, Chief Financial Officer and Corporate Secretary September 2016 – Present Executive Financial Consultant Automodular Corporation January 2016 – September 2016 CFO and Vice President, Finance Automodular Corporation August 2011 to December 2015
President, FTG Circuits – Chatsworth President, FTG Aerospace - Chatsworth	Michael Labrador	Newhall, California, USA	President, FTG Circuits – Chatsworth July 2009 – Present President, FTG Aerospace – Chatsworth February 2013 – Present
Vice President and General Manager of FTG Circuits Toronto	Hitesh Talati	Newcastle, Ontario, Canada	Vice President and General Manager of FTG Circuits Toronto July 2015 - Present General Manager FTG Circuits – Toronto November 2010 – July 2015
President of FTG Aerospace Tianjin Inc.	Claude Bougie	Pincourt, Quebec, Canada	President FTG Aerospace Tianjin Inc. November 2012 – Present Consultant Technical Sales Support to FTG Aerospace May 2008 – November 2012

Office	Name	Region of Residence	Principal Occupations within Five Preceding Years
Vice President and General Manager of FTG Aerospace - Toronto	Chris Woodland	Shanty Bay, Ontario, Canada	Vice President and General Manager FTG Aerospace – Toronto September 2012 – Present Vice President of Programs MDA Space Missions February 2008 – September 2012

Directors:

Name	Director Since (1)	Municipality of Residence	Principal Occupations within Five Preceding Years
Mike Andrade (2) (3)	July 2016	Toronto, Ontario, Canada	CEO, Morgan Solar 2015 - Present President, Diversified Markets Celestica 2010 – 2015
Robert J. Beutel (2) (3)	April 2011	Toronto, Ontario Canada	Executive Officer Oakwest Corporation Limited 1987 - Present
Bradley C. Bourne	July 2003	Mississauga, Ontario, Canada	President and Chief Executive Officer Firan Technology Group Corporation January 2004 - Present
Edward C. Hanna (2) (3)	July 2003	Beaufort, North Carolina, U.S.A.	Corporate Director January 19, 2010 - Present
Raymond G. Harris (2) (3)	December 1997	Wasaga Beach, Ontario, Canada	Corporate Director and Independent Consultant 1993 - Present
David F. Masotti (2) (3)	April 2004	Etobicoke, Ontario, Canada	Corporate Director and Business Consultant October 2007 - Present

Notes:
(1) Each director is elected annually to hold office until the next annual meeting of shareholders of the Corporation, unless such office is earlier vacated in accordance with the by-laws of the Corporation.
(2) Member of the Audit Committee.
(3) Member of the Corporate Governance / Compensation Committee.

As of February 8, 2018, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over (i) 1,106,488 Common Shares, representing approximately 4.88% of the aggregate total issued and outstanding Common Shares, (ii) 1,775,000 Preferred Shares, representing 100% of the total issued and outstanding Preferred Shares, and (iii) 11.78% of the voting shares of FTG (being the Common Shares and Preferred Shares, collectively).

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

(A) is, as of the date of this AIF, or has been, within the 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company of such director, executive officer or shareholder) that (i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, (ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (iii) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (B) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder; or (C) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, nor has any such director, executive officer or shareholder been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

1. Mr. Edward C. Hanna was the Chairman of Glendale and resigned from the Glendale Board of Directors effective January 19, 2010. Glendale filed a voluntary assignment in bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) on January 19, 2010.

2. Mr. Raymond G. Harris is a director of International Road Dynamics Inc. ("IRD"). IRD was subject to a cease trade order commencing March 2009 for failing to file its financial statements and management's discussion and analysis of its operating results and financial position for the three months and year ended November 30, 2008. Effective May 14, 2009,

the Ontario Securities Commission, (the "OSC"), the Saskatchewan Financial Services Commission and the British Columbia Securities Commission had each issued a full revocation of the cease trade order and IRD's securities recommenced trading.

3. Mr. Robert Beutel was a director of Cathay Forest Products Corp. when the following event occurred. On May 6, 2011, the OSC issued an Issuer Cease Trade Order against Cathay Forest Products Corp. for failure to file on a timely basis: (i) audited annual financial statements for the year ended December 31, 2010; (ii) Management's Discussion and Analysis relating to the audited annual financial statements for the year ended December 31, 2010; and (iii) certification of the foregoing filings as required by National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. The British Columbia Securities Commission ("BCSC") had issued a similar order on May 5, 2011.

9. AUDIT COMMITTEE

Audit Committee's Charter

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

Composition of Audit Committee

As of April 18, 2017 the members of the Audit Committee were Mr. Raymond Harris (Chairman), Mr. Robert Beutel, Mr. Edward Hanna, Mr. David Masotti and Mr. Mike Andrade. Each member of the Audit Committee is independent and none receive, directly or indirectly, any compensation from FTG other than for service as a member of the Board and its Committees. All members of the Audit Committee are financially literate as defined under National Instrument 52-110 – *Audit Committees.* In considering the criteria for determining financial literacy, the Board looks at the ability of a director to read and understand a balance sheet, an income statement and a cash flow statement of a public corporation.

Relevant Education and Experience of Audit Committee Members

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

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

- Mr. Harris, a corporate director, consultant and former Chairman of Deloitte & Touche Canada, successfully completed Queen's University Chartered Accountants Course of Instruction.

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

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

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

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

Pre-Approval Policies and Procedures

The Audit Committee has considered whether the provision of services, other than audit services, is compatible with maintaining the independence of the Corporation's auditor. The Audit Committee has adopted a policy that prohibits FTG from engaging its auditors for "prohibited"

categories of non-audit services and requires pre-approval by the Audit Committee of audit services and other services within permissible categories of non-audit services.

10. AUDITOR'S FEES

BDO Canada LLP ("BDO") has served as FTG's auditors since October 29, 2014. Estimated fees paid and accrued in the years ended November 30, 2017 and November 30, 2016 were $134,505 and $187,828, respectively, as detailed below:

Fee Categories	2017 ($)	2016 ($)
Audit Fees		
Firan Technology Group Corporation (excluding FTG Aerospace Tianjin Inc. & FTG Printronic Circuit Ltd.)		
- Year end audit	90,000	80,000
- Quarterly reviews (Q1, Q2, Q3)	7,500	13,500
* Statutory audit for FTG Aerospace Tianjin Inc.	2,600	2,600
* Statutory audit for FTG Printronic Circuit Ltd. ("JV")	2,000	2,000
Audit services related to equity raise	-	51,015
Administrative fees and re-imbursement of expenses	4,875	7,226
Non Audit Services		
Tax fees - Canadian tax - compliance, advice, scientific research and experimental development returns	6,000	6,000
Prep. of extensions of time to file US corporate income tax returns	1,600	1,600
Tax fees - U.S. tax - current year compliance, advice	17,000	17,000
Determination of negative goodwill for tax purposes and filing of asset acquisition returns for business acquisition related to Teledyne (PCT Hudson) and Airco industries (Photo-Etch) transactions in fiscal 2016	-	2,500
Various communications, research and advice tax filings, vested PSU's, U.S. state filings	-	1,250
Tax return filing fee - US treaty based return (Nexus) (Canadian entity)	1,000	1,000
Tax compliance for FTG Barbados 1 & 2 *(see Note 1)*	650	670
Administrative fees, other tax related items	1,280	1,468
Total	134,505	187,828

Note (1) - 2017 and 2016 audit/non-audit services for FTG Aerospace Tianjin Inc., JV, FTG Barbados 1 and 2, were performed by other auditors - RSM China, Baker Tilly China, LeeShell Chartered Accountants, respectively.

Audit Fees

Audit fees were for professional services rendered by the auditors for the audit of the annual consolidated financial statements of the Corporation, its U.S. subsidiaries, FTG Circuits Inc. and FTG Aerospace Inc. and its China subsidiary, FTG Aerospace Tianjin Inc. and its JV (FTG Printronics Circuit Ltd.)

Tax Fees

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

11. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

12. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is CST Trust Company at its principal office in Toronto, Ontario. The Corporation maintains the register for the Preferred Shares at its registered office.

14. MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business, the only material contracts entered into by FTG or its subsidiaries during or prior to fiscal 2017 and after January 1, 2002 that is still in effect is as follows:

1. On July 8, 2013, the Corporation announced it had established a Joint Venture with Tianjin Printronics Circuit Corp. (TPC) to supply printed circuit boards to Aerospace customers and other high technology customers. The joint venture was the result of a multi-year process of building a strong relationship between the two companies and confirming good alignment of the objectives and capabilities of both companies. The joint venture will build on the strong customer base FTG has in the Aerospace market as well as FTG's knowledge and expertise of Aerospace technical and quality requirements and this will be combined with TPC's established manufacturing facilities in Tianjin, China. TPC has revenues of more than $70M with two facilities in Tianjin, China. To prepare for the Joint Venture, TPC has already attained the important AS9100C and Nadcap certifications for their Plant #2 in the Tianjin Airport Economic Area. Under the terms of the Joint Venture, FTG owns 60% and TPC owns

40%, with the same 60/40 representation on the Board of Directors. The Corporation is incorporated as FTG Printronics Circuit Ltd. in Tianjin, China.

2. On December 1, 2015, the Corporation announced that it renewed and amended (further amended in April 2016 and January 2018) its banking agreement with HSBC Bank Canada ("HSBC"). The newly amended committed four-year credit facility is a combination of:
   1. U.S. $19,000,000 4-year committed Operating Facility, Revolving and Non-Revolving facilities.
   2. U.S. $46,000,000 Foreign Exchange and Precious Metals Forward Contracts Lines.
   3. U.S. $10,000,000 Interest Swap Line.

15. INTERESTS OF EXPERTS

The Corporation's auditor, BDO, is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. BDO has audited the consolidated financial statements of the Corporation for the financial year ended November 30, 2017.

16. ADDITIONAL INFORMATION

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

Schedule "A"

FIRAN TECHNOLOGY GROUP CORPORATION

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
TERMS OF REFERENCE

I. MEMBERSHIP

The Audit Committee shall be composed of five Directors, each of whom is an independent Director and financially literate. The Chairman of the Committee shall be appointed for a one-year term and may serve any number of consecutive terms.

II. COMMITTEE MEETINGS

The Audit Committee shall meet at least four times per fiscal year, at least once in each fiscal quarter, and the Chairman may call special meetings as required. A schedule of regular meetings shall be provided to the Committee Members at the start of each fiscal year. A quorum at meetings of the Committee shall be three Members.

The Chairman shall, in consultation with management, establish an agenda for the meetings and ensure that the agenda and properly prepared agenda materials are circulated to the Committee Members and the Auditor with sufficient time for study prior to the meeting.

The minutes of the Committee meetings shall accurately record the decisions reached and, as soon as practicable, shall be distributed to Committee Members with copies to other Members of the Board of Directors, the Chief Financial Officer and the Auditor.

III. COMMITTEE MANDATE

The Audit Committee's mandate is comprised of three principal functions: financial, risk management and environmental. The Committee shall have unrestricted access to corporate personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

The Audit Committee has the authority (i) to engage independent counsel and other advisors as it determines necessary to carry out its duties; (ii) to set and pay the compensation for any advisor employed by the Audit Committee, and (iii) to communicate directly with the Auditor.

(a) Financial

The Committee is responsible to:

1. Satisfy itself, after discussion with management, that matters such as selection of accounting policies, major accounting adjustments, accruals and estimates are appropriate and that the Corporation's financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

2. Review and recommend to the Board the approval of the Corporation's annual and quarterly financial statements the related MD&A and press release, Annual Report to Shareholders and other financial publications (such as the Annual Information Form and any prospectus or offering circular) and ensure

they do not contain an untrue statement of material fact or an omission to state a material fact that is required or necessary to make a statement not misleading, in light of the circumstances in which it is made.

3. Satisfy itself through discussions with, and/or reports from the management, and reports from the Auditor that the Corporation's accounting systems are reliable and that the prescribed internal controls are appropriate and are operating effectively. In particular it will:

   (i) Direct the Auditor's examination to particular areas that are of concern to the Committee.

   (ii) When required, request the Auditor to undertake special examinations.

   (iii) Review control weaknesses identified by the Auditor together with management's response.

   (iv) Review the appointment of the Chief Financial Officer and key financial executives.

4. Satisfy itself that the Corporation has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements. In particular it will:

   (i) Inquire of management and the Auditor about significant risks or exposures and assess the steps management has taken to minimize such risks.

   (ii) Annually review the Corporation's Corporate Code of Conduct and its promulgation and enforcement.

   (iii) Investigate fraud, illegal acts and conflicts of interest.

   (iv) Discuss selected issues with corporate counsel.

5. Establish procedures for:

   (i) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters and wrongdoings; and

   (ii) Dealing with confidential, anonymous submission by employees of the Corporation of concerns regarding accounting or auditing matters and wrongdoings.

6. Review the planning for, and the results of the audit to satisfy itself that it is being effectively and efficiently carried out. In particular it will:

   (i) Recommend to the Board of Directors the external Auditor to be nominated to perform the audit;

   (ii) Review the audit engagement letter ensuring that there is a clear understanding that the external Auditor is responsible to the Committee and the Board of Directors as the representatives of the Shareholders and assess the reasonableness of the estimated audit fees.

   (iii) Review and agree on the scope of the audit, including materiality, audit reports required, areas of audit risk and timetable deadlines.

   (iv) Agree on any significant changes to be made to the audit plan.

(v) Review the Auditor's confirmation of independence and procedures to ensure independence.

(vi) Review the Auditor's management letters together with management's response.

(vii) Review and approve the representation letters provided to the Auditors by management.

(viii) Review the form of the audit report.

(ix) Review and pre-approve all non-audit services performed by the Auditor (or delegate this approval to the Chairman of the Committee).

(x) Carry out and discuss with management an annual assessment or, if required by a regulatory authority, a periodic comprehensive review of the Auditor's performance.

(xi) Review the Auditor's final determination of the materiality threshold and the nature and amount of unadjusted errors.

(xii) Question the Auditor and management regarding significant financial reporting issues discussed/debated by them during the year and the method of resolution.

(xiii) Request the Auditor to express his/her opinion as to whether accounting principles and policies, disclosure practices and estimates are the "most appropriate" for the Corporation.

(xiv) Meet privately with the Auditor to discuss pertinent matters, including disputes encountered with management and the quality of the accounting personnel.

7. The Audit Committee should satisfy itself that financial provisions for specific environmental remediation responsibilities are adequate and consider whether a general provision for environmental liabilities is warranted.

8. The Audit Committee should review and approve any hiring involving a partner, employee, former partner or former employee of the present and former Auditor of the Corporation.

(b) Risk Management

The Audit Committee should consider risk management measures in areas specified by the Board including environmental compliance, management information systems, foreign exchange and adequacy of the insurance coverage maintained by the Corporation. If necessary, the Audit Committee will mandate, monitor and evaluate measures to address all areas of risk.

(c) Environmental

The Audit Committee should:

1. Review the requirements of relevant standards as to the responsibilities of Directors and:

   (i) In light of these standards, determine what constitutes appropriate due diligence on the part of the Board.

   (ii) Establish procedures to meet that level of due diligence.

2. Review the Corporation's environmental policies and procedures having regard to legislative, regulatory and industry standards.

3. Satisfy itself that management has initiated management information systems to implement and maintain such policies and make recommendations to the Board where deemed appropriate.

4. Review and approve management's Environmental Compliance Reports and Litigation Reports.

5. Review and enquire into occurrence reports received from management and/or the Ministry of the Environment.

(d) Reporting

1. Report, through the Chairman, to the Board following each meeting on the major discussions and decisions made by the Committee.

2. Review the mandate of the Audit Committee at least once per year and recommend to the Board any proposed changes.

(e) Compensation

Compensation of Committee Members shall be limited to Directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other fees from the Corporation.