Annual Report

2014

FLYHT AEROSPACE SOLUTIONS LTD.

THE FUTURE OF CONNECTIVITY

FLYHT™

The Future of Connectivity

Table of Contents

The *Future* of Connectivity

FLYHT

The Future of Connectivity™

Commonly Used Financial Terms & Aviation Acronyms

ACARS: *Aircraft Communications Addressing and Reporting System*

ADCC: *Aircraft Data Communication Corporation*

AFIRS: *Automated Flight Information Reporting System*

ANAC: *National Civil Aviation Agency of Brazil*

BEA: *Bureau d'Enquetes et d'Analyses (French authority for safety investigations in civil aviation)*

CAAC: *Civil Aviation Administration of China*

COMAC: *Commercial Aircraft Corporation of China, Ltd.*

EASA: *European Aviation Safety Agency*

ECAA: *Egyptian Civil Aviation Authority*

FAA: *Federal Aviation Administration*

FIRST: *Fuel Initiative Reporting System Tracker*

GAMA: *General Aviation Manufacturers Association*

GAAP: *Generally Accepted Accounting Principles*

IATA: *International Air Transport Association*

ICAO: *International Civil Aviation Organization*

ICE: *Iridium Compatible Equipment*

IFRS: *International Financial Reporting Standards*

ITU: *International Telecommunications Union*

MD&A: *Management Discussion and Analysis*

NCAA: *Nigerian Civil Aviation Authority*

OEM: *Original Equipment Manufacturer*

R&D: *Research and Development*

SADI: *Strategic Aerospace and Defence Initiative*

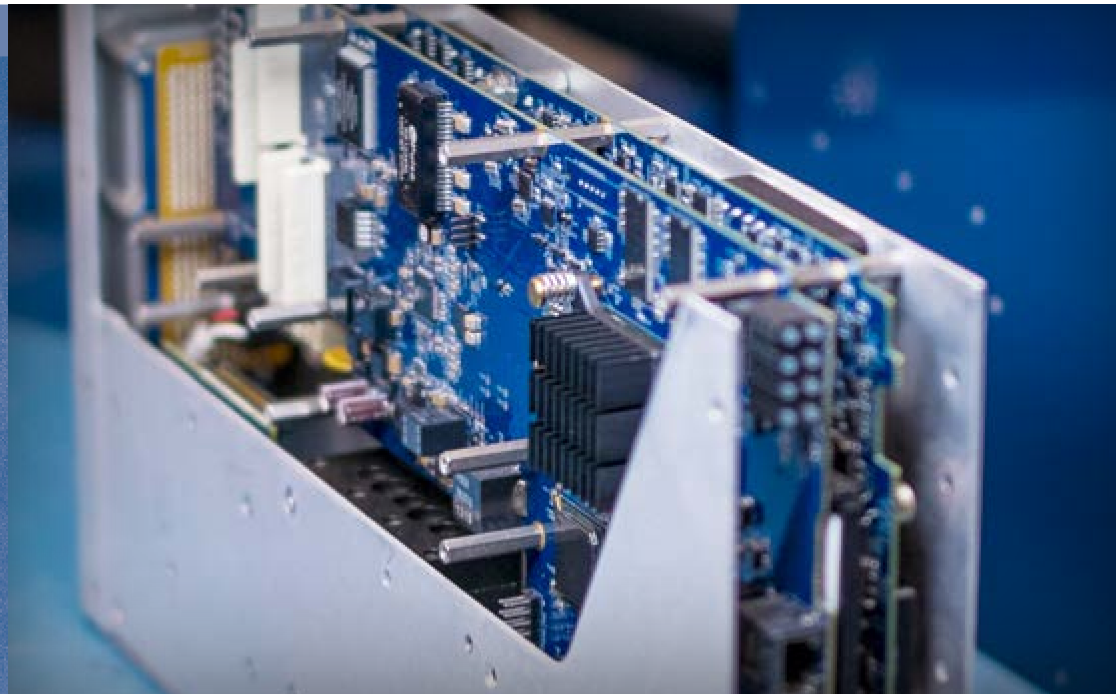
SFP: *Statement of Financial Position*

STC: *Supplemental Type Certificate*

TCCA: *Transport Canada Civil Aviation*

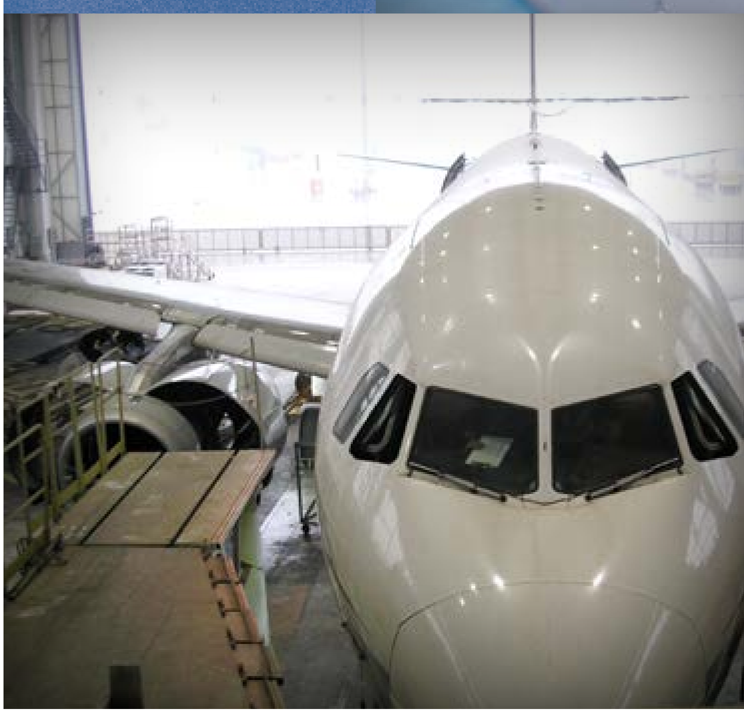
YTD: Year-to-date

Investment Highlights



AN UNPARALLELED TECHNOLOGY that saves money, time and drives efficiencies previously unavailable to the airline industry.

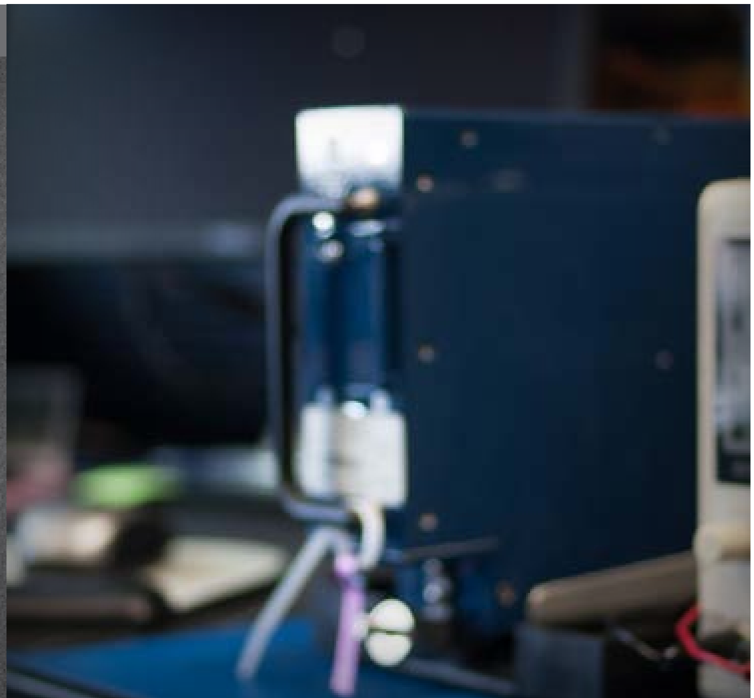
UNIQUELY POSITIONED to support the industry in upcoming regulations such as mandates on real time flight tracking.



MULTIPLE REVENUE STREAMS for high monthly revenue per aircraft.

TECHNOLOGY INSTALLED on over 400 aircraft.

HIGH MARGIN OPERATIONS – 75-85% gross margin with recurring revenues, resulting from multi-year contracts.



LONGEVITY OF TECHNOLOGY in the aviation industry means that once a technology has been accepted, it remains for an extended period of time.

2014 FLYHT Plan Review

INCREASE INSTALLATIONS IN CHINA TO MEET MANDATE;

- While slower than expected, the main regions are still expected to install by 2017 based on government regulations. AFIRS has been installed on 42 aircraft in China.
- There is a large market in China and we continue to build relationships with airlines.

INSTALL ON TWO BUSINESS AIRCRAFT OEMs;

- The activities of last year after MH370 took many resources away from sales and into industry committee work. Those resources have made great headway in the areas that count to have more than just tracking be the issue of the day for the industry. Business aviation is behind the importance of that work but will be resumed at an appropriate time.

EXPAND SERVICE MODULES TO INCREASE REVENUES;

- We developed three new programs to improve customers' operations.
- FLYHTFollow: Aircraft Situational Display to enable real-time flight tracking.
- FLYHTSafe: Provides operational safety alerts to the airline.
- FLYHTLink: iPad link enables EFB connectivity with onboard systems.

PURSUE ADDITIONAL COMMERCIAL OEM OPPORTUNITY;

- Moving forward on this front with meetings and presentations.

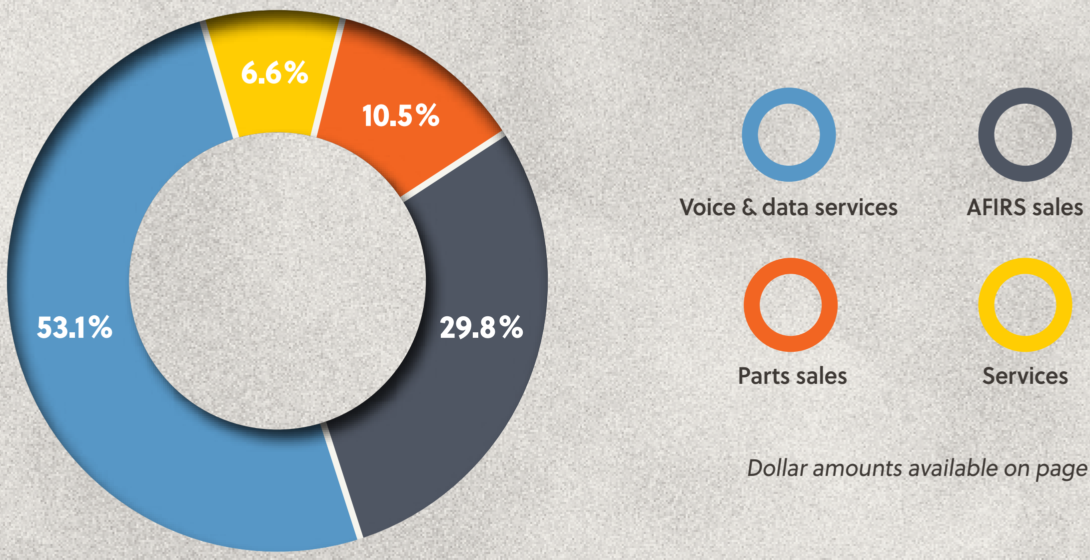
POSITIVE CASH FLOW FROM OPERATIONS.

- Not cash flow positive in 2014 and still working towards that goal for late 2015 to early 2016 because of the slow-down in sales in 2014.

2015
FLYHT Plan:

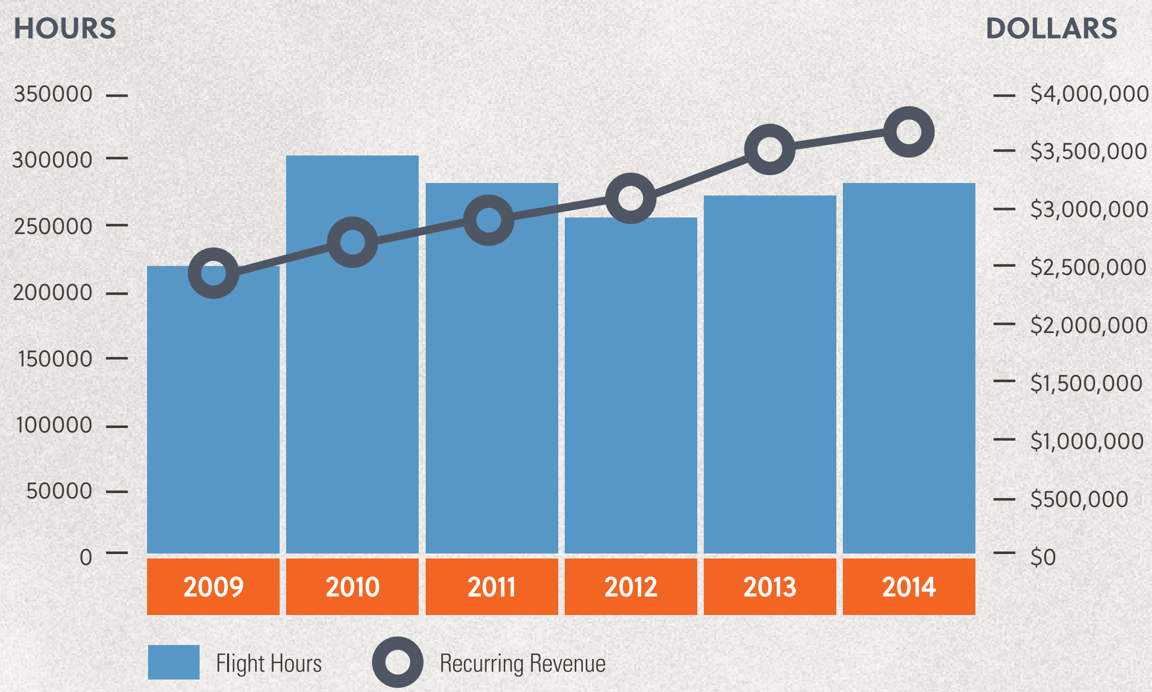
- Increase sales force and focus on major markets
- Capture a major carrier
- In China: continued vigilance in order to meet mandate for satellite communications in 2017; add an AFIRS repair depot
- Respond to commercial OEM requests for alerting and streaming technology
- Continue to participate in industry groups to make changes in regulations for aircraft alerting and streaming
- Development: expand application to mobility platforms, lay groundwork for high bandwidth solution

Revenue Sources

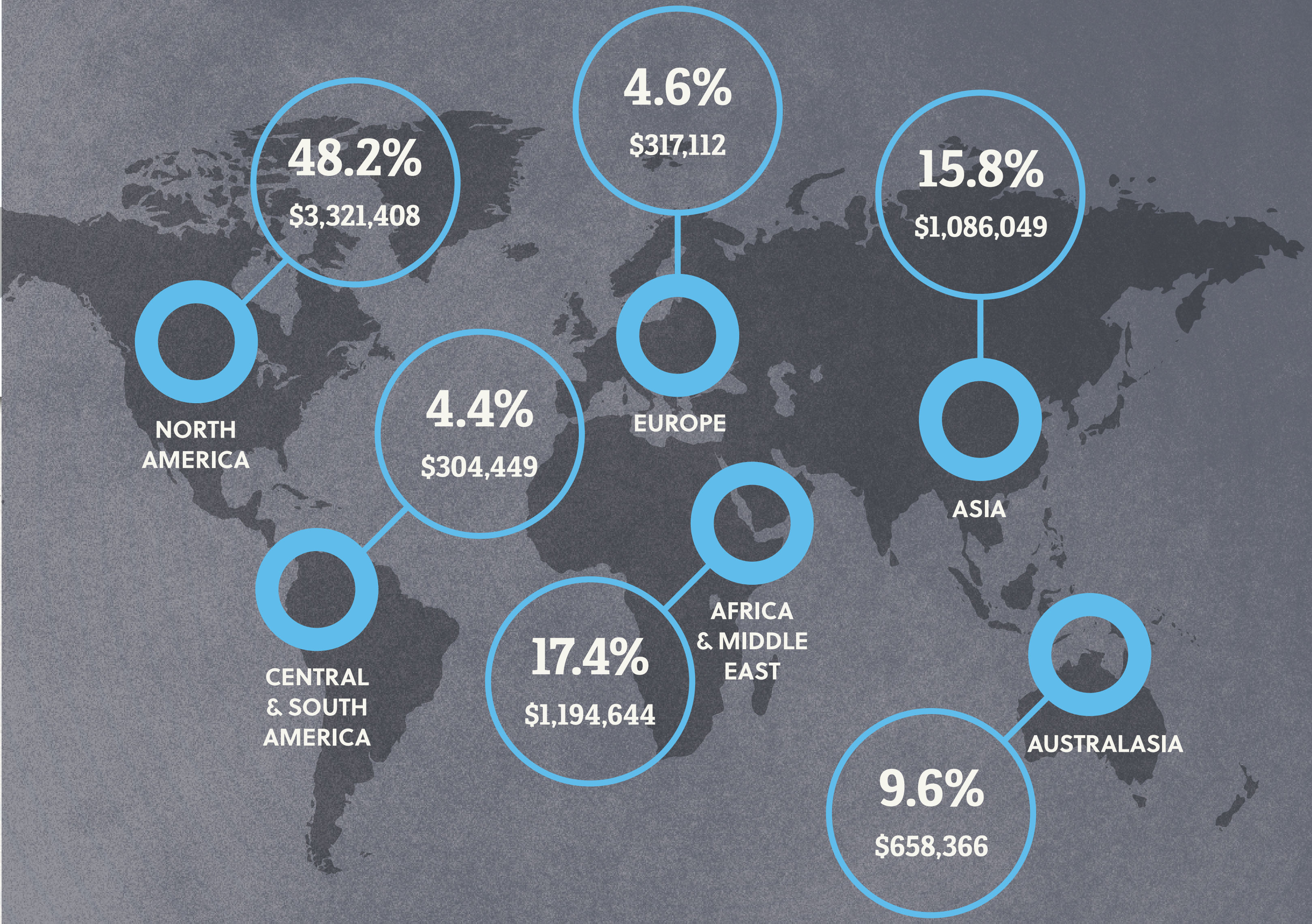


Dollar amounts available on page 29

AFIRS UpTime Usage Growth



Revenue Based on Location



TOTAL

$6,882,028

FLYHTStream

Industry leading: automated, aircraft-driven alerting

SINCE 2009 FLYHT HAS DEMONSTRATED ITS COMMERCIALLY AVAILABLE, REAL-TIME DATA STREAMING PROGRAM TO INDUSTRY WORKING GROUPS, GOVERNMENTS AND INDUSTRY PANELS. WHILE THE INDUSTRY AND AIRLINES DISCUSS TRACKING SOLUTIONS FOR AIRCRAFT, FLYHT IS THE ONLY COMPANY TO ENABLE AUTOMATED AIRCRAFT-DRIVEN ALERTS. **AFIRS' FLYHTSTREAM APPLICATION CAN STREAM BLACK BOX DATA FROM AN AIRCRAFT IN REAL-TIME.**

THE TAMPER-PROOF TECHNOLOGY BOASTS WORLDWIDE DATA STREAMING COVERAGE WITH AMPLE BANDWIDTH VIA THE IRIDIUM SATELLITE NETWORK.

Black box data streaming can be triggered automatically in the event of an abnormal situation, or triggered manually by the pilot or by crews on the ground. This data provides the airline with important situational information, allowing the airline to provide immediate support to the flight crew or, at the very least, to immediately dispatch search and rescue crews to the location of the aircraft. All of these features come at a cost to the airline of $10/minute when streaming.

FLYHT's technology enables operators to have a detailed awareness about their aircraft. For many operators, simply knowing the location of the aircraft is not enough, they need to know what the pilots know. In an emergency it's not enough to know that the aircraft is not where it should be, they need to know what's happening. FLYHTStream provides this information and is at the forefront of the industry for automated communications from the aircraft for health and safety monitoring.

Our customers demand a high level of connectivity. In April of 2014, FLYHT's customer, First Air, announced it would be the first airline in the world to implement real-time data streaming capabilities on its entire fleet. FLYHT looks forward to providing this solution to other airlines as they recognize the added safety and cost savings benefits AFIRS provides. The Future of Connectivity is here!

FLYHT did underestimate the industry's response to the missing aircraft and accidents of the past year. The industry has waited to see what regulations would be set before making any changes to their operations. We understand the caution on some levels, in order to make sure the technology is the right fit for the set industry regulations, though we continue to push the boundaries on every level to increase adoption of our technology. We have the industry's needs and demands in mind, including adding features to our technology such as increased simplicity and mobility. We believe our vision of connectivity is the way of the future and are determined to bring benefits to more airlines, increasing efficiencies and reducing accidents.

FLYHT's Latest and Greatest:

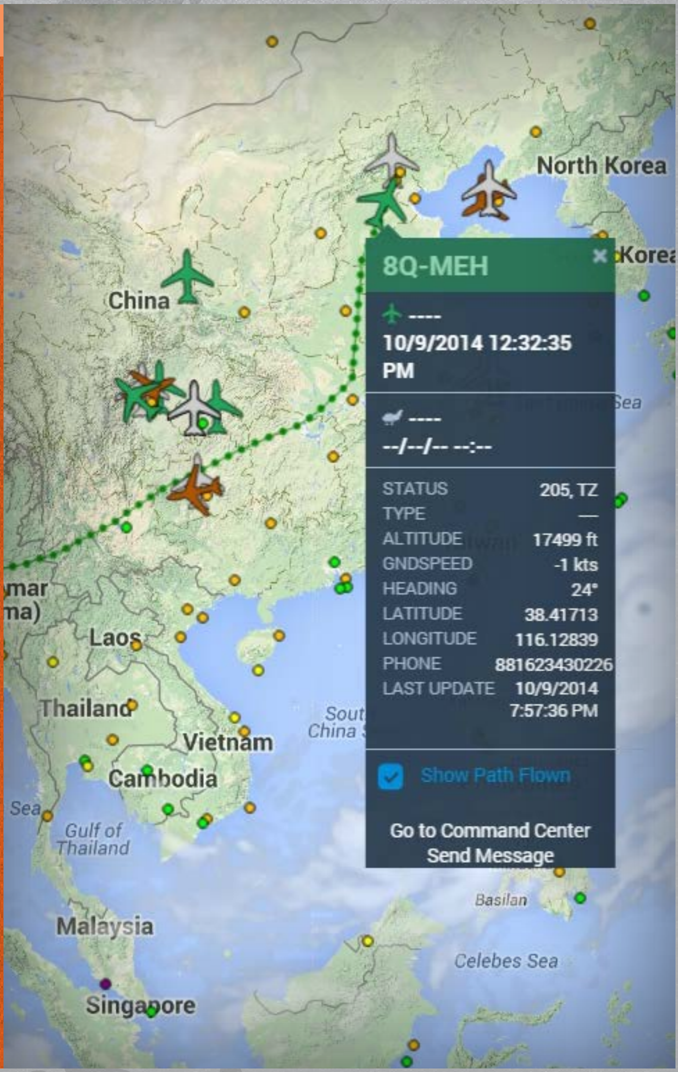
FLYHTFollow, an aircraft situational display

IN 2014, THE COMPANY DEVELOPED ITS OWN AIRCRAFT SITUATIONAL DISPLAY OR ASD. SIMPLY DESCRIBED AS AN ELECTRONIC MAP ON WHICH AIRLINES DISPLAY AND FOLLOW THEIR AIRCRAFT USING THE IRIDIUM SATELLITE NETWORK. IT PROVIDES FLYHT'S CUSTOMERS WITH IMPROVED BENEFITS AND ENHANCED TOOLS FOR COMMUNICATING WITH AND TRACKING THEIR AIRCRAFT.

FLYHTFollow is a unique application that integrates real-time flight following, routine aircraft notifications, aircraft health exceedance alerts and the ability to call or send text messages immediately to the aircraft. The program supports a number of aviation-specific tools including charts and weather information. It also provides the aircraft operator with the ability to enable FLYHTStream black box data streaming on their airborne aircraft anywhere in the world, at any time.

A majority of the value AFIRS provides FLYHT's customers lies in creating improved awareness about aircraft activities and location. Airlines require connectivity in remote regions where they operate and FLYHTFollow provides the airlines' operational control centres with greater awareness about their aircraft.

Previously, AFIRS fed other ASD systems. FLYHTFollow presents customers with the whole package, customized and integrated with AFIRS and UpTime.



2014
Major Announcements

Contracts

In 2014 FLYHT signed a total of five contracts with customers worldwide. Of the aircraft contracted 12 were for the AFIRS 220 and 15 were for AFIRS 228 as described below:

February 3

FLYHT announced the appointment of Matt Bradley as President. Mr. Bradley had been with the company since 2008.

February 13

FLYHT was recognized as a top ten performer in the Technology & Life Sciences Category of the 2014 TSX Venture 50 ®. The list is a ranking of strong performing companies trading on the TSX Venture Exchange.

March 4

FLYHT signed a contract with the Middle Eastern based operations group of an international cargo airline for the AFIRS 228B on four Boeing 757 aircraft.

March 5

FLYHT signed a contract with an Asian charter airline for the AFIRS 220 on four Bombardier CRJ aircraft.

March 28

FLYHT received the STC for the AFIRS 228 on the ATR – 42/72 series aircraft from the National Civil Aviation Agency of Brazil. This is FLYHT's first certification from Brazil and will allow the Company to proceed with its first AFIRS 228 Brazilian customer for 12 ATR-200.

April 15

FLYHT announced that its customer, First Air, added FLYHTStream's automatically triggered, real-time data and live black box streaming capability to its current fleet of B737, ATR and B767 aircraft. First Air operates throughout the Canadian Arctic in some of the harshest conditions on earth, and as a result is continually striving to improve the safety and operational efficiency of the airline. Enabling FLYHTStream raises the standard of tracking and automated alerting that is unsurpassed in the industry.

Brock Friesen, President and CEO of First Air said, *"FLYHT's Automated Flight Information System (AFIRS™) ensures we have 100% visibility on our aircraft at all times. We are proud to be industry leaders in adopting the FLYHTStream capability to ensure First Air has the highest level of operational awareness available on any aircraft flying today. It is another important step in our continual process of enhancing safety."*

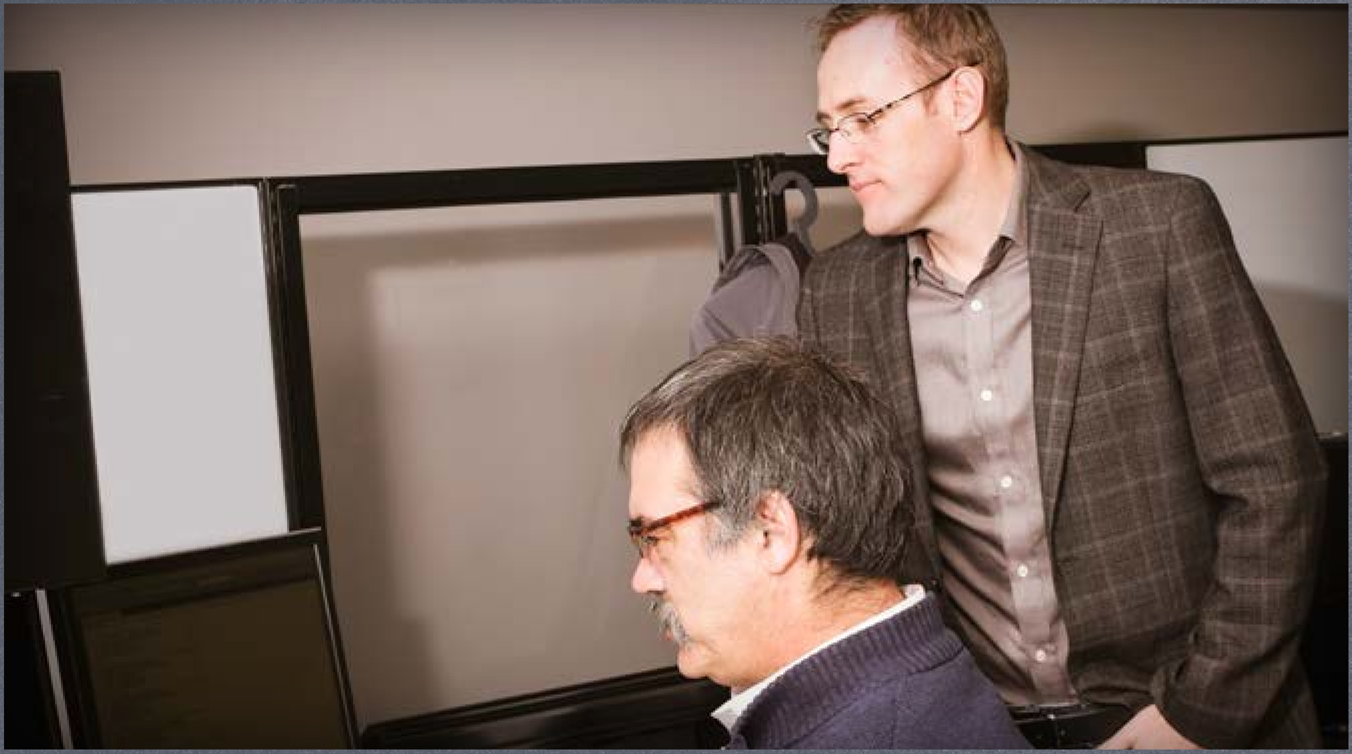
April 23

FLYHT's technology, AFIRS, reached a major milestone having surpassed one million flights onboard customer aircraft.

Bill Tempany, CEO of FLYHT said: *"The steady growth of flights is exciting. The value received by our customers using AFIRS continues to grow as we add services to our existing applications. FLYHT's focus for the coming years will be to increase the applications available to our customers and the value we can bring to them on each and every flight."*


FLYHT
The Future of Connectivity


CONNECTING YOU TO WHA
PROVEN IRIDIUM SATCOM SOLUTIONS
FLIGHT TRACKING
AIRCRAFT STATUS
OOOIs
FUEL MANAGEMENT
Cambridge House
INTERNATIONAL



May 29

FLYHT signed a contract with a Nigerian airline for the sale and delivery of the AFIRS 220 on five Boeing 737 aircraft.

"Our recent meetings at the African Airlines Association conference in Kenya have proven to be invaluable and we continue to build on these relationships to increase our client base," remarks Matt Bradley, President of FLYHT. *"This latest customer will see the benefits of improved operations and increased safety that AFIRS provides and we look forward to working with them."*

June 18

FLYHT announced the settlement of legal action and outstanding claims with Sierra Nevada Corporation. The companies also renewed their strategic relationship by updating their license and manufacturing agreement and adding a value-added reseller agreement.

"We are pleased and excited to renew our relationship with FLYHT. We believe that the need for AFIRS in the military and government aircraft industry is significant and the multi-feature offering of the AFIRS unit is critical in today's budget-constrained environment. AFIRS can improve the efficiencies of operating and maintaining aircraft while also reducing the operation and maintenance cost and improving flight safety." said Greg Cox, corporate vice president for SNC's Communication, Navigation and Surveillance/Air Traffic Management business area.

June 24

FLYHT announced that it commenced trading on OTCQX in order to increase accessibility for U.S. based shareholders, under the symbol FLYLF.

"Upgrading to OTCQX was a logical step for FLYHT to increase accessibility for our shareholder base in the U.S.," said Bill Tempany, CEO of FLYHT. *"As part of the international aviation community, it makes sense to open our doors for investment outside of Canada and make investment in FLYHT easier for U.S. investors."*

July 15

FLYHT announced its partner L-3 Aviation Recorders has received Airbus' formal notification of certification for the L-3 Automated Flight Information Reporting System ("AFIRS") 228S for the Airbus A320 family of aircraft.

July 17

FLYHT signed a contract with the national carrier of an African airline for the sale and delivery of AFIRS for its fleet of 11 planes. AFIRS 220 will be installed on three B737-500 aircraft, while the AFIRS 228 will provide solutions for DHC-8-Q400, B737-700 and ERJ190 aircraft.

July 21

FLYHT received a re-issued STC for the Hawker Beechcraft 700/800/900 model aircraft from the FAA to add the AFIRS 228 to its existing STC.

"We continue to expand and develop the AFIRS 228 STCs to reach popular aircraft types in operation by several of our existing customers as well as prospective customers," said Matt Bradley, President of FLYHT.

August 20

FLYHT appointed Mr. John Belcher to the Board of Directors.

Bill Tempany, CEO of FLYHT stated, *"We were delighted when John accepted a position on our board to help steer the Company through what we expect to be a strong growth phase. John's success with ARINC, his Canadian roots and prior work with Transport Canada and as CEO of Hughes Aircraft of Canada gives him a unique understanding of the challenges businesses like ours face in managing commercial goals in a very rigid regulatory environment. The contacts and knowledge John will contribute to our board of directors will bring invaluable insight and experience that management and our employees will benefit from and help us further drive the success of our growing business collectively."*

August 20

FLYHT appointed Mr. Barry Eccleston to the Board of Directors.

Bill Tempany, CEO stated, *"We are very excited to have a person of Barry's caliber join our Board at this important time in FLYHT's evolution. The Company is entering a growth phase, and we are confident his contribution will be significant to our success in the coming years. We have worked for years to develop technologies to help the aviation industry improve its financial performance and – with the guidance of our new board members – we hope to increase the adoption rate of our technologies."*

August 20

FLYHT announced the resignation of Mr. Richard Hayden from the Company's board. He remained with the Company as Director of Strategic Programs.

September 16

FLYHT announced the retirement of CFO, Mr. Thomas French, CGA, and the appointment of Ms. Nola Heale, CA.

October 9

FLYHT presented its AFIRS and FLYHTStream technologies at the National Transportation Safety Board's (NTSB) public Emerging Flight Data & Locator Technology Forum in Washington, DC.

"FLYHT is pursuing every opportunity to offer its expertise and participate in the industry discussion on the future of aircraft tracking, real-time data streaming and communications," stated FLYHT President, Matt Bradley. *"We have an internationally-recognized data streaming technology that is available to the industry now and are committed to advocating for its full implementation."*

November 13

FLYHT signed a contract with a North American cargo customer for activation of the AFIRS 220 already installed on two of the airline's recently acquired B767-300 aircraft and for purchase of three additional AFIRS 228 for their B767-200 aircraft.

November 19

FLYHT received the STC for AFIRS 228 on the Airbus A320 aircraft from EASA.

December 9

FLYHT received the STC for AFIRS 228 on the Boeing 767-300 from the FAA.

December 22

FLYHT announced that extension of the 8% convertible debentures maturing on December 23 had been approved by a majority of the debenture holders. The debenture maturity was extended from December 2014 to December 2016; the right of debenture holders to convert the debentures to ordinary shares of the Company at $0.40 per share was extended to December 2015.

To our shareholders

2014 was the 100th anniversary of commercial aviation, a celebration of the achievements and growth in the industry. However, the loss of three commercial jets highlighted the reality that we must still continue to push the envelope in advancing technology in the industry. At FLYHT, we believe our technology will satisfy and exceed the industry's need for aircraft tracking, alerting and real-time data. While the Company did not have a record financial year, we have solidified our presence within the industry with regulators, customers, strategic partners and other stakeholders with a number of positive outcomes to report.

Throughout the year FLYHT participated in many industry discussions and working groups hosted by organizations including ICAO, IATA, the NTSB, ITU and the FAA. In every instance our goal was to share our proprietary real-time data streaming technology, FLYHTStream™ in addition to educating the industry that it is, in many cases, possible to prevent disasters by alerting the airline of abnormal events when they occur, a standard feature of FLYHT's equipment. We believe we were successful in our efforts to demonstrate that this technology is available today; it is certified, cost effective, tamper-proof and has the bandwidth and global coverage to communicate data from aircraft via the Iridium Satellite Network. Our customer, First Air, led the industry in April when it became the first airline to enable FLYHTStream on all of its aircraft, providing added awareness on the routes flown in Northern Canada.

On the public side of this issue, the pressure is mounting from passengers and crew for airlines to enlist better technologies. FLYHT has received a steady stream of global media coverage highlighting these concerns. The important thing to understand is that the aviation industry is as safe as it is because it takes its time to implement safety regulations to ensure all airlines have the time and resources to comply. FLYHT's goal is to push the industry and airlines to adopt sooner in order to be on the cutting edge, but not prejudice safety and standards in the process.

While the air disasters of 2014 generated media attention around our Company and technology, from a business stand point, FLYHT saw a slow-down in AFIRS sales. Unexpectedly, airlines put the brakes on spending for these types of technologies in order to wait for regulators to set guidelines that they can better understand and follow. It wasn't until early February of 2015 that we heard the initial recommendations from ICAO. These haven't been set in stone yet as regulations, but are a starting point and contain the same parameters as the recommendations made by the NTSB in late 2014/ early 2015. The good news for our shareholders is AFIRS meets and exceeds all of the recommendations, which includes providing 15 minute aircraft tracking standard; a standard that is performance-based not prescriptive, meaning airlines would be able to use any technology and procedure they deem suitable to meet the other conditions; and a three-tiered approach covering normal, abnormal and distress situations.

RESULTS AND FINANCIAL CONDITION

During 2014, we earned revenue on 44 units compared to 62 units that earned revenue in 2013. These numbers will fluctuate based on airline activities such as timing of c-checks, which is when airlines are able to install AFIRS during regular maintenance. Our overall revenue was $6.9m from $8.0m in 2013; due mainly to very high services revenue in 2013 when services were invoiced to L-3 AR.

In 2014, we again saw a growth in the number of flight hours and flights, although we did experience a slowdown in recurring revenue growth with one of our larger airline customers transitioning its fleet to a different aircraft type. Receipt of the European (EASA) STC for the ATR 72 has been disappointingly slow, but is scheduled for 2015 which will then allow for the return of those aircraft as units earning recurring revenue.

While we were still not cash flow positive in the year, as was hoped at the beginning of the year, our financial position remains strong, ending the year with $3.9 million cash as well as $7.2 million in current assets against $4.2 million current liabilities. The approval received from debenture holders late in 2014 to extend maturity on the convertible debentures from December 2014 to December 2016 facilitated retention of up to an additional $3 million dollars for FLYHT.

SHIPPING UPDATE

In terms of contracted regions, shipments to China were slower than initially anticipated for the year. So far we have shipped 44 units and installed 42 in total, and are expecting a steady stream of orders and shipments into 2015, considering a shipment doesn't always mean the unit will be turned on and used promptly. Install schedules and coordination amongst the airline personnel can cause delays. Our sales director on the ground has done an excellent job of building relationships with airlines and industry groups in the region thereby further solidifying our presence in this important market.

GOING FORWARD

In August we appointed two well respected and well known industry members, Barry Eccleston, President of Airbus Americas, Inc. and John Belcher, former Chairman and CEO of ARINC, to our board of directors. Both enhance governance, business strategy and contribute valuable industry knowledge.

With the industry groups sharing their initial recommendations, the activities in the market seem to be picking up from forward thinking customers. We are proud to be leading the industry with real-time black box data streaming and believe it, in combination with enhanced tracking, is the future of the industry. It is important to note that in addition to tracking, our customers enjoy the benefits of AFIRS to increase passenger safety, improve productivity, maximize efficiency and enhance profitability in their day to day operations. We continue to innovate what data can be collected, how it can be used and how to add value to our customers and revenue to our company.

We want to thank our shareholders for their ongoing support, our management and staff for the dedication to deliver superior products in this challenging industry and our customers for steering our product to provide the most value to them.

Yours truly,

Bill Tempany, Chief Executive Officer

Management Discussion & Analysis

This management discussion and analysis ("MD&A") is as of April 7, 2015 and should be read in conjunction with the audited annual consolidated financial statements of FLYHT Aerospace Solutions Ltd. ("FLYHT" or the "Company") as at and for the years ended December 31, 2014 and 2013 and the accompanying notes. Additional information with respect to FLYHT can be found on SEDAR at www.sedar.com. The Company has prepared its December 31, 2014 consolidated financial statements and the notes thereto in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company's accounting policies are provided in note 3 to the consolidated financial statements.

NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS") or Generally Accepted Accounting Principles ("GAAP"). It also uses certain non-GAAP financial measures, such as working capital, modified working capital, non-current financial liabilities, and loss before research, development and certification engineering expenses ("R&D"). FLYHT defines working capital as current assets less current liabilities. The Company defines modified working capital as current assets less current liabilities not including customer deposits or the current portion of unearned revenue. A clearer picture of short-term net cash requirements can be drawn by excluding these two items because those customer deposits and unearned revenue are nonrefundable. The company defines non-current financial liabilities as non-current loans and borrowings plus non-current finance lease obligations. Loss before R&D is defined as the net loss before the direct costs associated with R&D. These non-GAAP financial measures are always clearly indicated. The Company believes that these non-GAAP financial measures provide investors and analysts with useful information so they can better understand the financial results and perform a better analysis of the Company's growth and profitability potential. Since non-GAAP financial measures do not have a standardized definition, they may differ from the non-GAAP financial measures used by other companies. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not rely on a single non-GAAP measure.

FORWARD-LOOKING STATEMENTS

This discussion includes certain statements that may be deemed "forward-looking statements" that are subject to risks and uncertainty. All statements, other than statements of historical facts included in this discussion, including, without limitation, those regarding the Company's financial position, business strategy, projected costs, future plans, projected revenues, objectives of management for future operations, the Company's ability to meet any repayment obligations, the use of non-GAAP financial measures, trends in the airline industry, the global financial outlook, expanding markets, R&D of next generation products and any government assistance in financing such developments, foreign exchange rate outlooks, new revenue streams and sales projections, cost increases as related to marketing, R&D, administration expenses, and litigation matters, may be or include forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on a number of reasonable assumptions regarding the Canadian, U.S., and global economic environments, local and foreign government policies/ regulations and actions, and assumptions made based upon discussions to date with the Company's customers and advisers, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Factors that could cause actual results to differ materially from those in the forward-looking statements include but are not limited to production rates, timing for product deliveries and installations, Canadian, U.S., and foreign government activities, volatility of the aviation market for FLYHT's products and services, factors that result in significant and prolonged disruption of air travel worldwide, U.S. military activity, market prices, foreign exchange rates, continued availability of capital and financing, and general economic, market, or business conditions in the aviation industry, worldwide political stability or any effect those may have on the Company's customer base. Investors are cautioned that any such statements are not guarantees of future performance, and that actual results or developments may differ materially from those projected in the forward-looking statements.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to have been correct. The Company cannot assure investors that actual results will be consistent with any forward-looking statements; accordingly, readers should not place undue reliance on forwardlooking statements. The forward-looking statements contained herein are current only as of the date of this document. The Company disclaims any intentions or obligation to update or revise any forward-looking statements or comments as a result of any new information, future event or otherwise, unless such disclosure is required by law.

FLYHT OVERVIEW

FLYHT is a designer, developer and service provider of innovative solutions to the global aerospace industry. The Company's solutions improve the productivity and profitability of its customers and enable communication between pilots and ground support. FLYHT's tools deliver data and voice communication between the aircraft and operations groups on the ground, on demand. The Company's products are available for commercial, business and military aircraft. FLYHT's triggered data streaming program, FLYHTStream™, can stream position reports and data from an aircraft in flight to ground support in real time.

FLYHT's products and services are marketed globally by a team of employees and agents based in Canada, the United States, China, the United Kingdom, Singapore, Ireland and Abu Dhabi.

AFIRS™ AND UPTIME™

FLYHT's Automated Flight Information Reporting System ("AFIRS") is a device installed on aircraft that monitors hundreds of essential functions from the aircraft and the black box. AFIRS sends the information to the UpTime server on the ground, which stores and relays the data to the airline in real time. Airlines use this information to increase passenger safety, improve productivity, maximize efficiency and enhance profitability. In addition to its data monitoring functions, AFIRS provides voice and text messaging capabilities that give pilots the ability to communicate with ground support. FLYHT's value-added applications such as FLYHTStream, FLYHTSafe and FLYHTFuel run on the AFIRS hardware and its UpTime servers, and are unique to FLYHT hence available only to our customers. FLYHT utilizes global satellite coverage through the Iridium satellite network, providing service to whoever needs it, when they need it, anywhere on the planet.

The AFIRS 220 became FLYHT's signature product in 2004. The unit received regulatory certification for installation in a large number of widely used commercial aircraft brands and models (see STC table on pg. 23). The AFIRS 228 incorporates improvements over the AFIRS 220 in processing capacity, data transmission characteristics and programmability. The AFIRS 228's features cater to the evolving needs of airlines by providing a flexible product that is programmed for the information they need. AFIRS 228 is an addition to FLYHT's product line, not a replacement for the AFIRS 220. The Company will continue to sell its AFIRS 220.

FLYHTStream™

FLYHTStream is a revolutionary, industry-leading technology that performs real-time triggered alerting and black-box data streaming in the event of an abnormal situation on an aircraft. FLYHTStream can be triggered automatically by a set of pre-determined factors, by the pilots or on the ground by airline operations. It uses AFIRS' onboard logic and processing capabilities in combination with UpTime's ground-based servers to interpret and route alerts and messages from the aircraft in trouble to key groups on the ground, such as the airline, operation centers and regulators. An animation software converts the raw flight data recorder (FDR) info into visual data that can be viewed from any computer, providing ground personnel a view of the controls and awareness of what's happening onboard the aircraft.

FLYHTFuel™

A powerful way to focus attention on areas of greatest savings potential automatically, and to provide the information necessary to make decisions about the operation. Most airlines currently rely on a system of manually generated and analyzed reports to make fuel savings decisions within the operation. This is time-consuming and relies on the user to calculate areas of potential by cross-referencing a great number of queries. FLYHTFuel is both a report-generation tool and a dynamic, interactive application that generates alerts and provides the user with the ability to quickly identify trends. The dashboard compares how pilots are operating the aircraft to how they could be flying in order to maximize efficiency and fuel savings. The unique application highlights exceptions to best practices, provides quick drill downs to spot the root cause of issues, and identifies trends. Where compliance has not been met, associated costs, in a dollar amount, are shown. The tool is de-identified to meet pilot union requirements, but can be filtered to display performance by pilot if desired. It is an intuitive tool that enables fuel managers to act on information instead of compiling and analyzing data.

FLYHTSafe™

Provides real-time operational safety alerts from AFIRS. With FLYHTSafe airlines are notified immediately on occurrence of an operational safety event that may have implications for the safety of the flight. AFIRS is the only product that has an embedded logic application ("ELA") onboard that can identify with pinpoint accuracy when a specific event has taken place; enabling airlines to take steps that require immediate action or further investigation. FLYHTSafe can be used to assist in the development of safety policies, training programs and standard operating procedures.

FLYHTFollow™

A unique application that integrates real-time flight following, routine aircraft notifications, aircraft health exceedance alerts and the ability to send text messages immediately to the aircraft. FLYHTFollow is an aircraft situational display that shows the aircraft position reports from AFIRS and Dragon devices via the Iridium Satellite Network. The program supports a number of aviation-specific tools including charts and weather information. It also provides the aircraft operator with the ability to start black box data streaming on their airborne aircraft anywhere in the world and, at any time.

THE DRAGON™

The Dragon is a revolutionary lightweight portable satellite communications device that blends existing FLYHT technology with that of the iPad. FLYHT developed the product to meet a growing demand from small aircraft, business jet and helicopter operators for a satellite communications solution similar to AFIRS.

The device is portable, allowing operators the flexibility to use it where and when they need it. Since the Dragon is not permanently installed on the aircraft, there is no need for STCs. The Dragon facilitates flight following and real-time voice and data communications. It is enabled by the Iridium satellite network and connected through the cockpit and the pilot's headset, but does not have data analysis or the safety services capabilities of other AFIRS products. An iPad application acts as an interface for the user in the cockpit to send and receive messages, such as weather updates, from the ground.

UNDERFLOOR STOWAGE UNIT

The Underfloor Stowage Unit offers the flight crew additional stowage space in the cockpit. With this addition, manuals are always within reach of the seated crew and are kept safe, dry and clean inside the stowage unit. In addition, safety equipment and other items required by the flight crew can be accessed any time throughout the flight without leaving the cockpit. The stowage unit is certified to be installed in Bombardier CRJ series, Challenger and DHC-8s and can also be installed in other aircraft types.

SYSTEM APPROVALS

A STC is an airworthiness certification required to modify an aircraft from its original design and is issued by an aviation regulator. FLYHT's AFIRS equipment is an addition to an aircraft and therefore an STC is required prior to installation. FLYHT has received or applied for AFIRS product approvals from TCCA, the FAA, EASA, ANAC, ECAA and the CAAC for various aircraft models, depending on customer requirements.

FLYHT's expertise in airworthiness certification enabled it, in October 2008, to join a select group of Canadian companies who are approved by TCCA as a Design Approval Organization ("DAO"). Very few organizations achieve DAO status because of the time and expertise required to meet TCCA standards. FLYHT's DAO status, along with the delegations it has received, allows the Company to obtain and revise its own STCs with minimal TCCA oversight. This speeds up the process by lessening wait times, and reduces cost and reliance on contractors.

In addition to its DAO status, the Company has an engineer on staff with delegated authority, allowing him to approve electrical design aspects of an airworthiness certification. If an issue is encountered during the STC process, the delegated staff member has the authority to approve necessary changes and continue the process without the involvement of an external party.

The process to receive a STC takes time to complete but always starts with an application for the STC through any one of TCCA, FAA or EASA. Generally, FLYHT starts the process with TCCA by opening an application with the regulator, after which an STC data package is created. The data package consists of the engineering documents that outline how the AFIRS equipment will be installed on the aircraft. Once the data package is prepared and first stage approvals granted by the regulator, ground and flight tests take place. To fulfill the flight test requirement, FLYHT must have access to the appropriate type and model of aircraft. This is done in cooperation with an existing or potential customer. Once these tests are completed, FLYHT submits an activation data package to TCCA that enables the AFIRS unit to be integrated with the aircraft systems. If TCCA approves the submission, an STC is issued. To obtain an STC from another regulator, FLYHT prepares an application, which is sent through TCCA to the regulator such as FAA, EASA, ANAC, ECAA or CAAC along with the STC package previously approved by TCCA. The regulator reviews the package and issues the STC.

The time required for the approval process through TCCA varies depending on the aircraft and workloads. A general rule of thumb is approximately three months, with a minimum of another three months if an STC is required from another regulator.

The Company will be filing the necessary documents over the next several years to obtain approval for the AFIRS 228 in parallel to the majority of current 220 STCs, depending on market requirements.

TCCA		FAA		EASA		CAAC		ANAC		
220	228	220	228	220	228	220	228	220	228	
A	A	A	I	A	A	A	A			Airbus A319, A320, A321
A										Airbus A330
	A								A	ATR-42, -72 - 200/300
					I					ATR-42, -72- 600
A		A		A		A				Boeing B737 -200
A	A	A	I	A		A			I	Boeing B737 -300, -400, -500
A	A	A	A	A		A	A		I	Boeing B737 -600, -700, -800
	A									Boeing 747-200
A	A	A	I	A		A				Boeing 757 -200
A	A	A	A	A		A				Boeing 767 -200, -300
	A		A							Boeing B777
A		A		A						Bombardier DHC 8 -100, -200, -300
A	U									Bombardier DHC 8 -400
A	I	A		A						Bombardier CRJ 100, 200, 440
	A						A			Bombardier CRJ -700, 900
A		A								McDonnell Douglas DC-10 (KC-10 military)
	P									McDonnell Douglas MD-83
A										Fokker 100
A	A	A	A	A	A					Hawker Beechcraft -750, 800XP, 850XP, 900XP
A										Viking Air DHC -7 (LSTC)
	I									Embraer EMB 190
		A								Embraer Legacy 600 and EMB – 135/145

AFIRS 220 or 228 model

A = Approved
P = Pending (We have received a Provisions STC and are in the final stages before receiving a full STC)

I = In Progress
U= Upcoming STC applications that have been submitted or will be submitted in 2015.

TRENDS AND ECONOMIC FACTORS

FLYHT examines the results of growth and measurements made by leading aviation groups in order to determine the health of the industry. AFIRS is a technology that can be installed on commercial, business or military aircraft and the Dragon is available to the general aviation market.

Passenger traffic (measured in Revenue Passenger Kilometers or "RPK") saw a 5.9% increase in 2014 compared to the previous year. The 2014 performance was also above the 10-year average growth rate of 5.6% and the 5.2% growth experienced in 2013[1]. All regions saw demand growth in 2014 and load factors, how close to capacity the flights were for the year, were up to 79.7% or 0.2% over 2013. Demand in international markets at 6.1% was higher than domestic travel at 5.4%. Overall, a record 3.3 billion passengers traveled in 2014, 170 million more than in 2013. Global freight traffic (measured in Freight Tonne Kilometers or "FTK") increased by 4.5% in 2014 which was more than expected and above the 1.4% growth in 2013[2]. RPK and FTK measure passenger and freight contributions to airline revenue. These are significant measures to determine the health of the industry because the larger the increase, the more people are flying and shipping freight, suggesting growth in the industry.

Large commercial aircraft manufacturers recorded solid numbers for deliveries and new orders in 2014. Airbus delivered 629 aircraft for 89 customers, an increase from 626 aircraft in 2013. 2014 was Airbus' 13th year in a row of surpassing the previous year's deliveries[3]. Boeing delivered 723 aircraft in 2014, a 12% increase from the previous year.[4] Embraer delivered a total of 92 commercial and 116 executive jets (92 light and 24 large), in 2014, very close to the 2013 results.[5] Bombardier delivered 290 aircraft in 2014, compared to 238 in 2013.[6]

The General Aviation Manufacturers Association ("GAMA") reported that numbers in worldwide general aviation airplane shipments rose a consistent 4.3% to 2,454 shipments in 2014 from 2,353 in the same period of 2013.[7]

FLYHT continues to be a leader in providing airlines with increased operational control and aircraft situational awareness. Until the recent industry events and missing aircraft of Malaysian Airlines flight MH370 and Air Asia flight QZ8501, the world did not believe that a commercial airplane could go missing. Since 2009, FLYHT has had the technology to stream black box data in real-time. As a result of industry events and accidents during 2014, FLYHT has participated in working groups and demonstrated the AFIRS technology and FLYHTStream capabilities on industry panels. Multiple working groups included sessions with the Malaysian Government, ICAO, IATA, the NTSB and ITU. FLYHT will continue to participate in industry working groups to advance engineering and technical requirements and prepare for future development of the AFIRS product line to meet industry needs.

The weakening of the Canadian dollar relative to the U.S. dollar throughout 2014 had a positive impact on the Company's revenue and income compared to 2013. As a result of these currency movements, the Company's revenues, which are substantially all denominated in U.S. dollars, were higher than they would have been had the foreign exchange rates not changed. It is the standard of the aviation industry to conduct business in U.S. dollars. While the majority of the Company's operating and overhead costs are denominated in Canadian dollars, a significant portion of the cost of sales, marketing and distribution costs are U.S. dollar denominated, and therefore a natural hedge exists against fluctuations of the Canadian dollar.

CONTRACTS AND ACHIEVEMENTS OF FISCAL 2014

Contracts

FLYHT Aerospace Solutions Ltd. signed a total of five contracts on 27 aircraft with customers worldwide. 12 were for the AFIRS 220 and 15 for the AFIRS 228, as described below:

- In March, FLYHT signed a contract with the Middle Eastern based operations group of an international cargo airline for the AFIRS 228B on four Boeing 757 aircraft.
- In March, FLYHT signed a contract with an Asian charter airline for the AFIRS 220 on four Bombardier CRJ aircraft.
- In May, FLYHT signed a contract with a Nigerian airline for the sale and delivery of the AFIRS 220 on five Boeing 737 aircraft.
- In July, FLYHT signed a contract with the national carrier of an African airline for the sale and delivery of AFIRS for its fleet of eleven planes. AFIRS 220 will be installed on three B737-500 aircraft, while the AFIRS 228 will provide solutions for DHC-8-Q400, B737-700 and ERJ190 aircraft.
- In November, FLYHT signed a contract with a North American cargo customer for service on the AFIRS 220 that were already installed on two of the airline's recently acquired B767-300 aircraft and sale and service on three additional AFIRS 228 for their B767-200 aircraft.

1 http://www.iata.org/pressroom/pr/Pages/2015-02-05-01.aspx

2 http://www.iata.org/pressroom/pr/Pages/2015-02-04-01.aspx

3 http://www.airbus.com/newsevents/news-events-single/detail/airbus-exceeds-targets-in-2014-and-prepares-for-the-future/

4 http://boeing.mediaroom.com/2015-01-28-Boeing-Reports-Record-2014-Revenue-Core-EPS-and-Backlog-and-Provides-2015-Guidance

5 http://www.embraer.com/en-US/ImprensaEventos/Press-releases/noticias/Pages/Embraer-atinge-backlog-recorde-e-entrega-19-jatos-comerciais-e-15-executivos-no-30-trimestre-de-2014.aspx

6 http://www.bombardier.com/en/media-centre/newsList/details.bombardier-inc-20150212bombardierq42014financialresults.bombardiercom.html

7 http://gama.aero/media-center/press-releases/content/gama-releases-2014-year-end-shipment-and-billings-numbers-annual. Note that the 2013 numbers were updated by GAMA which accounts for the discrepancy from FLYHT's 2013 Annual Report.

ACHIEVEMENTS

- FLYHT announced the appointment of Matt Bradley as President. Mr. Bradley had been with the Company since 2008.
- FLYHT was recognized as a top ten performer in the Technology & Life Sciences Category of the 2014 TSX Venture 50 ®. The list is a ranking of strong performing companies trading on the TSX Venture Exchange.
- FLYHT received the STC for AFIRS 228 on the ATR – 42/72 series aircraft from the National Civil Aviation Agency of Brazil.
- FLYHT announced that its customer, First Air, added FLYHTStream's automatically triggered, real-time data and live black box streaming capability to its current fleet of B737, ATR and B767 aircraft.
- FLYHT's technology, reached a major milestone having surpassed one million flights onboard customer aircraft.
- FLYHT announced the settlement of legal action and outstanding claims between the company and Sierra Nevada Corporation. The companies also renewed their strategic relationship by updating their license and manufacturing agreement and adding a value-added reseller agreement.
- FLYHT announced commencement of trading on the OTCQX, a marketplace for qualified companies, under the symbol FLYLF.
- FLYHT announced its partner L-3 Aviation Recorders has received Airbus' formal notification of certification for the L-3 Automated Flight Information Reporting System ("AFIRS") 228S for the Airbus A320 family of aircraft.
- FLYHT received a re-issued STC for the Hawker Beechcraft 700/800/900 model aircraft from the FAA to add the AFIRS 228 to its existing STC.
- FLYHT appointed Mr. John Belcher and Mr. Barry Eccleston to the Board of Directors.
- FLYHT announced the appointment of Ms. Nola Heale as Vice President Finance and Chief Financial Officer.
- FLYHT received the EASA STC for AFIRS 228 on the Airbus A320 aircraft.
- FLYHT received the FAA STC for AFIRS 228 on the Boeing 767-300.

Results of Operations Years Ended December 31, 2014 and 2013

SELECTED RESULTS

2014	Q4 $	Q3 $	Q2 $	Q1 $	Total $
Assets	8,275,546	8,968,372	10,281,225	9,734,630	8,275,546
Non-current financial liabilities	5,506,179	2,728,769	2,433,044	2,262,812	5,506,179
Revenue	2,218,681	1,808,794	1,505,767	1,348,786	6,882,028
Loss	1,305,712	1,653,147	46,925	1,273,101	4,278,885
Loss before R&D	532,986	805,028	1,324,716	838,406	3,501,136
Loss per share (basic & fully diluted)	0.01	0.01	0.00	0.01	0.03
2013	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**	**Total $**
Assets	8,435,962	4,192,184	4,414,400	4,164,481	8,435,962
Non-current financial liabilities	1,992,028	5,398,965	5,096,611	3,191,685	1,992,028
Revenue	1,936,757	2,183,037	2,163,434	1,717,136	8,000,364
Loss	1,438,795	615,950	1,038,283	970,136	4,063,164
Loss before R&D	745,444	174,987	680,936	281,570	1,882,937
Loss per share (basic & fully diluted)	0.01	0.00	0.01	0.01	0.03
2012	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**	**Total $**
Assets	4,968,972	6,124,540	6,147,716	3,817,825	4,968,972
Non-current financial liabilities	3,118,142	3,110,508	400,997	423,878	3,118,142
Revenue	2,220,401	1,549,761	1,584,475	1,115,169	6,469,806
Loss	621,446	133,102	1,954,303	2,174,901	4,883,752
Loss before R&D	40,436	290,563	1,183,274	961,742	2,476,015
Loss per share (basic & fully diluted)	0.00	0.00	0.02	0.02	0.04

FINANCIAL POSITION

Liquidity and Capital Resource

The Company's cash at December 31, 2014 decreased to $3,910,962 from $5,184,803 at December 31, 2013. The Company has an available and undrawn operating line of $250,000 at Canadian chartered bank prime plus 1.5%, secured by assignment of cash collateral and a general security agreement.

At December 31, 2014, the Company had positive working capital of $3,009,025 compared to negative $894,887 as of December 31, 2013, an improvement of $3,903,912. Neither customer deposits, nor the current portion of unearned revenue are refundable, and if those two items are excluded in the working capital calculation, the resulting modified working capital at December 31, 2014 would be positive $5,283,775 compared to positive $760,174 at December 31, 2013.

The Company funded 2014 operations primarily through cash received from sales and proceeds from the exercise of share options and warrants. If the costs associated with R&D were factored out, there would have been an increase in cash of $1,310,558. It is expected that R&D expenses will continue to decrease as the AFIRS 228 project moves into the next phase of enhancements and the finished product continues to generate revenues. The resulting increase in cash inflows from sales will reduce the requirement for further funding. The Company believes that if funding is required to meet cash flow requirements in 2015, it will be raised either through debt or equity instruments.

	2014 $	2013 $	Variance $
Cash and cash equivalents	3,910,962	5,184,803	(1,273,841)
Restricted cash	250,000	250,000	-
Trade and other receivables	959,786	784,426	175,360
Deposits and prepaid expenses	183,750	145,554	38,196
Inventory	1,917,249	1,308,243	609,006
Trade payables and accrued liabilities	(2,129,622)	(3,704,496)	1,574,874
Unearned revenue	(1,484,345)	(1,103,834)	(380,511)
Loans and borrowings	(572,782)	(3,745,513)	3,172,731
Finance lease obligations	(25,973)	(13,175)	(12,798)
Current tax liabilities	-	(895)	895
Working capital	**3,009,025**	**(894,887)**	**3,903,912**
Unearned revenue	1,484,345	1,103,834	380,511
Customer deposits	790,405	551,227	239,178
Modified working capital	**5,283,775**	**760,174**	**4,523,601**

The Company settled an ongoing dispute with Sierra Nevada Corporation ("SNC") on June 16, 2014 whereby both parties mutually released all claims against each other. FLYHT and SNC entered into a License and Manufacturing Agreement ("L&M Agreement") as well as a Value Added Reseller Agreement ("VAR Agreement") and for the execution of those agreements SNC withdrew invoices totaling a Canadian equivalent of $1,950,957. The L&M Agreement provides for SNC to manufacture and/or sell to military end users and unmanned aerial vehicles. FLYHT will receive a fee for each unit manufactured and sold to an end user and a percentage of UpTime Service fees paid to SNC by the end user. These fees will commence once SNC realizes revenue of $2.5 million USD. As well, a VAR Agreement was entered into which allows SNC to market and sell FLYHT's AFIRS units and UpTime Services. Under the terms of the VAR Agreement FLYHT will pay SNC an agreed commission. Based on the terms of the agreements FLYHT derecognized the accounts payable liability with an off-setting recovery of research and development expenses of the same amount.

In 2014 warrant and option exercises together with convertible debenture conversions resulted in the Company issuing a total of 13,362,867 shares for total proceeds of $3,952,015, including:

a) 151,987 warrants exercised at $0.20 per share for proceeds of $30,398

b) 8,885,600 warrants exercised at $0.30 per share for proceeds of $2,665,680

c) 1,405,780 warrants exercised at $0.40 per share for proceeds of $562,312

d) 2,774,500 options exercised at $0.25 per share for proceeds of $693,625

e) 145,000 convertible debentures converted at $0.40

As at April 7, 2015, FLYHT's issued and outstanding share capital was 172,460,135.

The achievement of positive earnings before interest and amortization is necessary before the Company can improve liquidity. The Company has continued to expand its cash flow potential through its continued marketing drive to clients around the world. Management believes that the Company's installation momentum, conversion of installations to recurring revenue, new revenue streams, and ongoing sales will be sufficient to meet standard liquidity requirements going forward. To continue as a going concern, the Company will need to attain profitability and/or obtain additional financing to fund ongoing operations. If general economic conditions in the industry or the financial condition of a major customer deteriorates, then the Company may have to scale back operations to create positive cash flow from existing revenue and/or raise the necessary financing in the capital markets. It is the Company's intention to continue to fund operations by adding revenue and its resulting cash flow as well as continue to manage outgoing cash flows. If the need arises due to market opportunities, the Company may meet those needs via the capital markets. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Financial Instruments

The Company is exposed to fluctuations in the exchange rates between the Canadian dollar and other currencies with respect to assets, sales, and purchases. The Company monitors fluctuations and may take action if deemed necessary to mitigate its risk.

The Company is exposed to changes in interest rates as a result of the operating loan bearing interest based on the Company's lenders' prime rate. All outstanding debentures have a fixed rate of interest and therefore do not expose the Company's cash flow to interest rate changes.

There is a credit risk associated with accounts receivable where the customer fails to pay invoices. The Company extends credit to credit-worthy or well-established customers. In the case of agreement consideration or product sales, the invoiced amount is generally payable before the product is shipped to the customer. The Company assesses the financial risk of a customer and based on that analysis may require that a deposit payment be made before a service is provided. For monthly recurring revenue the Company has the ability to disable AFIRS UpTime where the customer has not fulfilled its financial obligations.

Contractual Obligations

The following table details the contractual maturities of financial liabilities, including estimated interest payments.

December 31, 2014	< 2 months	2-12 months	1-2 years	2-5 years	> 5 years	Total
	$	$	$	$	$	$
Accounts payable	638,598	12,114	-	-	-	650,712
Compensation and statutory deductions	406,298	110,584	-	-	-	516,882
Finance lease liabilities	4,970	24,849	29,818	15,794	-	75,431
Accrued liabilities	43,641	115,030	-	12,953	-	171,624
Loans and borrowings	-	585,146	5,819,600	360,335	1,370,267	8,135,348
Total	**1,093,507**	**847,723**	**5,849,418**	**389,082**	**1,370,267**	**9,549,997**

Under SADI, the Company has, at December 31, 2014, an outstanding repayable balance of $1,899,278, compared to $1,967,507 at December 31, 2013. The amount is repayable over 15 years on a stepped basis commencing April 30, 2014. The initial payment on April 30, 2014 was 3.5% of the total contribution received and the payment increases yearly by 15% until April 30, 2028 when the final payment will be 24.5% of the total contribution received.

The debenture issued December 23, 2010 had an original face value of $3,159,000 and was set to mature on December 23, 2014. On December 22, 2014 approval was received to extend the maturity date of the $3,014,000 debentures then remaining outstanding from four to six years, now maturing on December 23, 2016. The debenture continues to bear interest at a rate of 8% per annum, accrued and paid annually in arrears. The debentures are convertible into common shares at a conversion rate of $0.40 per share at any time up to December 23, 2015 and carry a face value after conversions of $2,859,000 at April 7, 2015.

FLYHT entered into two finance lease agreements in 2014, the first covering equipment required for a security system in the new premises effective March 1, 2014, and the second covering computer hardware. Both agreements have a lease term of 36 months and the option to purchase the equipment at the end of the lease term. Minimum lease payments are as follows.

Year	Total
	$
2015	29,818
2016	29,818
2017	15,795
Total	**75,431**

Customer Deposits

FLYHT's revenue recognition for AFIRS sales and parts sales occurs in a series of steps. The process begins with the receipt of customer deposits, followed by shipment, installation and finally customer usage of the AFIRS product.

Customers are required to pay for installation kits prior to the planned shipment date. This prepayment is recorded as a customer deposit, which is recognized as an accrued liability upon receipt. Upon shipment of an installation kit, the customer deposit is reclassified to unearned revenue, where it will remain until the AFIRS UpTime solution has been installed and is fully functional, at which point the installation kit is recognized as AFIRS sales revenue.

When customers order spare parts or Underfloor Stowage Units a prepayment is required; it is also recorded as a customer deposit. When the shipment of the ordered part or unit occurs, the customer deposit is recognized as parts sales.

Customer deposits are amounts received for AFIRS sales and parts that have not yet been shipped to the customer, and services that have not yet been completed. These deposits are nonrefundable, and are included on the Statement of Financial Position ("SFP") in trade payables and accrued liabilities.

The chart below outlines the movement in the Company's customer deposits throughout the periods ending December 31, 2014 and 2013. Payment was received for 9 installation kits in the fourth quarter of 2014 compared to 10 received in the fourth quarter of 2013, bringing 2014 year-to-date ("YTD") total payments for installation kits to 57, compared to a total of 42 in 2013.

	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Opening balance	1,070,854	622,082	448,772	551,227	797,070	(245,843)
Payments received	744,042	188,809	555,233	2,967,089	1,204,677	1,762,412
Moved to unearned revenue	(1,024,491)	(259,664)	(764,827)	(2,727,911)	(1,450,520)	(1,277,391)
Balance, December 31	**790,405**	**551,227**	**239,178**	**790,405**	**551,227**	**239,178**

Unearned Revenue

The chart below outlines the movement in the Company's unearned revenue throughout the periods ending December 31, 2014 and 2013. Revenue was recognized for 12 installation kits in 2014's fourth quarter compared to 15 in the fourth quarter of 2013. YTD, revenue has been recognized for 44 installation kits in 2014, as compared to 62 in 2013 due mainly to delayed installation dates and slow installs in China. In 2014, 57.1% of the unearned revenue balance at December 31, 2013 was recognized as earned revenue (2013: 77.7%).

	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Opening balance	1,272,206	1,494,153	(221,947)	1,103,834	2,717,245	(1,613,411)
AFIRS sales: shipped, not accepted	1,024,491	259,664	764,827	2,727,911	1,450,520	1,277,391
Voice and Data services: prepaid	15,960	25,090	(9,130)	92,084	414,228	(322,144)
AFIRS sales: revenue recognized	(614,411)	(578,936)	(35,475)	(2,146,871)	(2,694,292)	547,421
Voice and Data services: revenue recognized	(22,500)	(31,757)	9,257	(101,212)	(526,347)	425,135
License fees: revenue recognized	-	(64,380)	64,380	-	(257,520)	257,520
Balance, December 31	**1,675,746**	**1,103,834**	**571,912**	**1,675,746**	**1,103,834**	**571,912**

COMPREHENSIVE INCOME

Revenue

For the categories listed in the revenue sources chart, **Voice and data services** is the recurring revenue from customers' usage of data they receive from AFIRS and use of functions such as the satellite phone. Usage fees are recognized as the service is provided based on actual customer usage each month. **AFIRS sales** includes the income from AFIRS hardware sales as well as the parts required to install the unit along with Dragon hardware sales, Upon shipment, these amounts are deferred as unearned revenue and corresponding expenses are recorded as work in progress. When the system is fully functional and the customer has accepted the system, the deferred amount is fully recognized as AFIRS sales revenue and the work in progress as cost of sales. **Parts sales** includes the sale of spare AFIRS units, spare installation parts, L-3 AR revenue, and Underfloor Stowage Units. **Services** revenue includes technical services, repairs and expertise the Company offers including the installation of operations control centres (FLYHT has set up two in Nigeria).

Revenue sources

	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Voice and data services	915,602	1,080,503	(164,901)	3,657,300	3,624,719	32,581
AFIRS sales	619,776	592,483	27,293	2,054,251	2,707,839	(653,588)
Parts sales	455,297	79,716	375,581	718,567	655,561	63,006
Services	228,006	184,055	43,951	451,910	1,012,245	(560,335)
Total	**2,218,681**	**1,936,757**	**281,924**	**6,882,028**	**8,000,364**	**(1,118,336)**

Overall, total revenue decreased 14.0% from $8,000,364 in 2013 to $6,882,028 in 2014. Voice and Data services increased by 0.9%, Parts sales increased by 9.6%, AFIRS sales decreased by 24.1%, and Services revenue decreased by 55.4%.

Voice and Data services increased compared to last year, due to a higher number of aircraft producing recurring revenue and higher per aircraft return. Recurring revenue accounted for 41.3% of revenue in Q4 2014 (Q4 2013: 55.8%), and 53.1% YTD 2014 (YTD 2013: 45.3%). Recurring revenue from FLYHT's existing client base is expected to continue to expand throughout 2015 and future years.

AFIRS sales decreased in 2014 as compared to 2013 due to a decreased number of installation kits meeting the requirements for revenue recognition. YTD, revenue has been recognized for 44 installation kits, compared to 62 in 2013. In the fourth quarter, sales revenue increased despite a decreased number of installation kits meeting the requirement for recognition, because of a higher value per installation kit. Revenue was recognized for 12 installation kits in Q4 2014 compared to 15 in Q4 2013.

Parts sales increased both in the quarter and YTD in 2014 from 2013 as the result of differing demand for spare units and parts. There were three larger orders for spare units in Q3 and Q4 2014, which cumulatively were larger than four one-time large spare unit sales that occurred in Q4 2013.

Services revenue increased in the quarter while decreasing YTD in 2014 compared to 2013. In Q4 and YTD 2014 higher revenue was earned on engineering documentation required for our Chinese customers. Throughout 2013 higher revenue was earned on our contract with L-3 which was not repeated in 2014.

Geographical sources of revenue

The following revenue split is based on the geographical location of customers.

	Q4 2014 $	Q4 2013 $	YTD 2014 $	YTD 2013 $
North America	1,215,724	731,995	3,321,408	3,853,788
South/Central America	67,265	167,765	304,449	460,184
Africa/Middle East	369,309	590,523	1,194,644	1,391,446
Europe	54,078	41,488	317,112	549,718
Australasia	143,922	187,923	658,366	697,249
Asia	368,383	217,063	1,086,049	1,047,979
Total	**2,218,681**	**1,936,757**	**6,882,028**	**8,000,364**

	Q4 2014 %	Q4 2013 %	YTD 2014 %	YTD 2013 %
North America	54.9	37.8	48.2	48.1
South/Central America	3.0	8.7	4.4	5.8
Africa/Middle East	16.6	30.5	17.4	17.4
Europe	2.4	2.1	4.6	6.9
Australasia	6.5	9.7	9.6	8.7
Asia	16.6	11.2	15.8	13.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

Gross Profit and Cost of Sales

FLYHT's cost of sales includes the direct costs associated with specific revenue types, including the AFIRS unit, installation kits, training and installation support, as well as associated shipping expenses and travel expenses for the Company's engineering personnel while performing on-site installation support. Installations on aircraft are performed by third parties at the customer's expense. Cost of sales as a percentage of revenue in the fourth quarter of 2014 was 38.3% compared to 39.6% in 2013's fourth quarter. A review of the annual results shows the cost of sales as a percentage of revenue also decreased from 40.8% in 2013 to 37.1% in 2014. The decrease was due to a difference in the mix of revenue sources, as Voice and Data services, Parts sales, and Services have higher margins than AFIRS sales. Gross margin will fluctuate quarter over quarter depending on customer needs and revenue mix.

Gross margin for the last eight quarters was:

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Gross Margin %	61.7	63.7	59.8	67.4	60.4	56.9	54.5	66.6
Cost of Sales %	38.3	36.3	40.2	32.6	39.6	43.1	45.5	33.4

Other Income

Other income in 2013 consists of the recognition of the SNC license fee that was deferred as unearned revenue when received in 2008, to be recognized over the initial five-year term of the agreement. The amount was fully recognized by December 31, 2013.

Distribution Expenses

Consist of overhead expenses associated with the delivery of products and services to customers, and marketing.

Major Category	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Salaries and benefits	364,083	388,747	(24,664)	1,652,340	1,506,626	145,714
Share based compensation	10,470	-	10,470	84,971	85,071	(100)
Contract labour	97,574	79,900	17,674	354,320	275,059	79,261
Office	66,654	87,594	(20,940)	275,427	366,439	(91,012)
Travel	84,291	106,426	(22,135)	449,215	403,319	45,896
Equipment and maintenance	5,764	9,157	(3,393)	22,180	25,413	(3,233)
Depreciation	1,733	11,817	(10,084)	26,910	46,129	(19,219)
Marketing	12,306	15,797	(3,491)	55,610	41,441	14,169
Other	347,775	134,890	212,885	472,018	206,949	265,069
Total	**990,650**	**834,328**	**156,322**	**3,392,991**	**2,956,446**	**436,545**

Distribution expenses increased compared to 2013 due mainly to higher people costs and bad debt reserve.

Salaries and benefits increased in 2014 as compared to 2013 mainly due to a decreased allocation of distribution staff costs to R&D, partially offset by a decrease resulting from the non-renewal of a sales director's employment agreement.

Contract labour increased compared with the same periods last year, with the addition in early 2014 of sales representation based in Singapore.

Office expenses decreased 2014 from 2013 mainly as the result of decreased rent with the move to the new office space, and lower communication costs, partially offset by increased participation in an industry group.

Travel expenses increased in 2014 versus 2013 largely as the result of increased travel associated with sales and customer satisfaction activities. Travel expenses vary significantly depending on the location of customer contracts and regions served.

Depreciation expense has decreased due to a decrease in the usage of capital equipment for distribution activities.

Marketing expense has increased due to an increased presence at industry tradeshows.

Other expenses increased due to an increase in bad debt reserve and a non-recurring employee relocation.

Administration Expenses

Consist of expenses associated with the general operations of the Company that are not directly associated with delivery of services or sales.

Major Category	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Salaries and benefits	352,434	520,345	(167,911)	1,468,711	1,498,854	(30,143)
Share based compensation	2,022	8,558	(6,536)	417,278	260,091	157,187
Contract labour	60,860	25,250	35,610	245,678	141,271	104,407
Office	62,895	76,660	(13,765)	276,983	305,104	(28,121)
Legal fees	42,787	12,636	30,151	151,566	36,405	115,161
Audit and accounting	31,500	27,000	4,500	141,438	122,625	18,813
Investor relations	85,807	67,432	18,375	372,423	243,975	128,448
Brokerage, stock exchange, and transfer agent fees	10,106	2,865	7,241	74,066	27,377	46,689
Travel	54,140	24,368	29,772	215,660	96,585	119,075
Equipment and maintenance	46,270	16,025	30,245	98,438	55,462	42,976
Depreciation	760	5,980	(5,220)	15,217	23,920	(8,703)
Other	30,458	18,396	12,062	71,060	47,453	23,607
Total	**780,039**	**805,515**	**(25,476)**	**3,548,518**	**2,859,122**	**689,396**

Administration expenses were higher than 2013 due to additional investor relations, increased travel, relocation of the office, expense in listing on the OTCQX and people cost on issue of options, staff recruitment and staff retirement.

Salaries and benefits were lower in 2014 compared with 2013, mainly as the result of an internal reorganization to increase efficiencies which moved several resources from Administration to R&D together with a reduction in variable compensation, partially offset by separation payments for our retiring CFO.

Share based compensation increased compared with the same periods last year, due to a higher number of options granted and a higher estimated fair value in 2014 compared to 2013.

Contract labour increased compared to 2013 as a result of recruitment fees paid in the second half of 2014, along with expenses resulting from increased involvement in industry groups following the disappearance of Malaysian Airlines flight MH370.

Office expenses decreased throughout 2014 compared to 2013 mainly as the result of decreased rent with the move to the new office space and a change in rent allocation consequent on an internal reorganization to increase efficiencies.

Legal fees increased from 2013 due to requirements relating to the Company's listing on the OTCQX in 2014, together with a settlement on the SNC legal claim and an increase in general corporate legal reviews and intellectual property legal advice.

Audit and accounting increases are mainly due to increased audit costs consequent on increased complexity in FLYHT's business, and increased requirements for international tax consulting.

Investor relations expenses increased due to the addition of a third IR consultant in early 2014, together with costs associated with obtaining a listing on the OTCQX.

Brokerage, stock exchange, and transfer agent fees increases are the result of the exercise of warrants and options throughout 2014.

Travel expenses increased as a result of an increase in travel requirements relating to investor relations, including travel expenses associated with participation in industry group meetings following the disappearance of Malaysian Airlines flight MH370.

Equipment and maintenance increases were the result of additional equipment required for the new office premises in 2014.

Other increases were related to an office move in 2014.

Research, Development and Certification Engineering Expenses (Recovery)

Major Category	Q4 2014	Q4 2013	Variance	YTD 2014	YTD 2013	Variance
	$	$	$	$	$	$
Salaries and benefits	427,690	412,139	15,551	1,874,482	1,536,904	337,578
Share based compensation	-	-	-	86,341	13,542	72,799
Contract labour	172,201	145,480	26,721	538,874	533,107	5,767
Office	87,376	94,731	(7,355)	288,686	188,579	100,107
Travel	11,226	8,210	3,016	37,882	48,734	(10,852)
Equipment and maintenance	39,409	1,799	37,610	56,555	33,154	23,401
Components	35,708	25,622	10,086	52,308	264,587	(212,279)
Government grants	-	-	-	-	(130,801)	130,801
SRED credit	(324)	-	(324)	(241,677)	(326,195)	84,518
Depreciation	(561)	4,415	(4,976)	23,195	17,661	5,534
Other	-	955	(955)	12,060	955	11,105
SNC litigation settlement	-	-	-	(1,950,957)	-	(1,950,957)
Total	**772,725**	**693,351**	**79,374**	**777,749**	**2,180,227**	**(1,402,478)**

Research and Development expense was low in 2014 due to recovery of a provision on settlement of the SNC litigation, offset by additional people cost on options and engineering time on customer and STC projects.

Salaries and benefits expended in this category increased from 2013 to 2014, partially due to in the time committed to the increasing revenue sources for UpTime applications, along with an internal reorganization to increase efficiencies which moved several resources from Administration to R&D. People costs will fluctuate with customer and industry demands for new products and enhancements of existing products.

Share based compensation increased YTD, due to a higher number of options granted and a higher estimated fair value in 2014 compared to 2013.

Contract labour has increased YTD, mainly as the result of Q2 and Q3 2014 increased use of certification engineering consultants to complete time-sensitive STC's, and the use of a software development consultant for two short-term projects and additional testing, offset by a reduced utilization of consultants for hardware development in Q1 2014.

Office expenses increased as a result of increased costs associated with patent application costs, an increase in rent allocation, and a requirement for legal resources to finalize the settlement with SNC.

Travel expenses decreased as a result of decreased requirements for travel with regards to hardware testing and test flights.

Equipment and maintenance expenses increased from 2013 as the result of investments in enhancing FLYHTStream capabilities, partially offset by a decreased requirement for software directly related to development of AFIRS 228 software.

Components requirements were lower in 2014 than in 2013 due to the reduced requirement for test parts for the development of the AFIRS 228, offset partially by a recovery in Q2 2014 when remaining Dragon parts were moved to production.

Government grants were nil in 2014, compared to $130,801 in 2013 which was the grant portion of the final payment received through the SADI program in Q3 2013.

SRED credit YTD variance is due to a decrease in the expenses that qualify for the refundable tax credit under the Canada Revenue Agency Scientific Research and Experimental Development ("SRED") in 2014 compared to 2013. Annual claims will fluctuate based on differences in R&D activities and associated costs.

Other expenses increased in 2014 due to an employee relocation cost in early 2014.

SNC litigation settlement recovery shown in 2014 was the result of the settlement in Q2 2014 of the dispute with SNC and the release of the related liability accrual – refer also to Liquidity and Capital Resource section for further detail.

Net Finance Costs

Major Category	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Interest (income)	-	-	-	(2,000)	(2,221)	221
Net foreign exchange (gain) loss	(137,326)	75,619	(212,945)	(154,265)	165,432	(319,697)
Bank service charges	5,353	4,772	581	21,995	21,388	607
Interest expense	1,088	1,315	(227)	3,885	10,187	(6,302)
Government grant accretion	38,928	35,413	3,515	149,001	123,460	25,541
Debenture interest and accretion	199,937	200,748	(811)	784,404	657,620	126,784
Debenture cost amortization	23,777	21,822	1,955	88,530	84,136	4,394
Net finance costs	**131,757**	**339,689**	**(207,932)**	**891,550**	**1,060,002**	**(168,452)**

Net foreign exchange gain will vary between periods due to fluctuations in the value of the Canadian dollar in relation to the U.S. dollar. A weakening of the Canadian dollar has given rise to increased foreign exchange gains on U.S. dollar denominated sales and purchases, in combination with fluctuations in U.S. denominated assets and liabilities.

Government grant accretion is the recognition of the effective interest component of the SADI grant. The increase from 2013 to 2014 relates to accreting additional funding received in September 2013.

Debenture interest and accretion increases are the result of increased interest accretion on the debentures issued in December 2010, and the accretion of interest throughout 2014 on the debentures issued in April and May 2013.

Net Loss

Major Category	Q4 2014 $	Q4 2013 $	Variance $	YTD 2014 $	YTD 2013 $	Variance $
Net loss	1,305,712	1,438,795	(133,083)	4,278,885	4,063,164	215,721
Net loss without R&D	532,986	745,444	(212,458)	3,501,136	1,882,937	1,618,199

Foreign Exchange

All international and a majority of domestic sales of the Company's products and services are denominated in U.S. dollars. Accordingly, the Company is susceptible to foreign exchange fluctuations. In 2014, 95.5% of the Company's gross sales were made in U.S. dollars, compared to 95.4% in 2013. The Company expects this to continue as the aviation industry conducts the majority of its transactions in U.S. dollars, thus limiting the opportunity for sales in Canadian dollars or other major currencies. The Company also contracts in U.S. dollars for certain services and products related to cost of sales, which creates a natural hedge.

OTHER

Recent Accounting Pronouncements

The following new standards, interpretations, amendments and improvements to existing standards issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") were adopted as of January 1, 2014 without any material impact to FLYHT's financial statements: IFRS 7 / IAS 32 – Offsetting Financial Assets and Liabilities, IAS 1 – Presentation of Financial Statements, IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting, and IFRIC 21 - Levies.

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company. All of the following new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

IFRS 9 – Financial Instruments replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. (January 1, 2018).

IFRS 15 – Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfer of Assets from Customers, and SIC 31 - Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs (January 1, 2017).

The Company has not completed its evaluation of the effect of adopting these standards on its consolidated annual financial statements.

Critical Accounting Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates are based on management's historical experiences and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The following are the Company's critical accounting policies, significant estimates, and assumptions used in preparing our financial statements:

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay trade balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience, and economic circumstances.

2. The Company evaluates its deferred tax assets at each reporting date and recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized. At December 31, 2014, no deferred tax assets were recognized.

3. The Company records amounts for warranty based on historical warranty data. A provision is recognized upon shipment of the underlying products.

4. Intangible assets are stated at cost less accumulated amortization and comprise of a license, customer contracts, and customer relationships. The license has an indefinite life. The customer contracts and relationships are amortized using the straight line method over the remaining life of the assumed contract. Indefinite lived intangible assets are subject to an annual impairment test unless if events or circumstances change that indicate that the carrying value may not be recoverable then impairment is evaluated more frequently.

5. Consideration received for installation kits is deferred as unearned revenue and corresponding expenses are recorded as work in progress until the system is fully functional and customer acceptance has been obtained, at which time the full deferred amount is recognized in revenue along with the work in progress as cost of sales. Revenue from UpTime usage fees is recognized at the end of each month and is based on actual usage during that month.

6. Revenue from the sale of Dragons, Underfloor Stowage Units and other parts is recognized when the unit is shipped, title is transferred, and collection is reasonably assured. Certain customers have prepaid for products or services not yet delivered. These amounts are included in trade payables and accrued liabilities on the Statement of Financial Position, and are recorded as revenue in the period in which such products or services are delivered.

7. Technical services are provided based upon orders and contracts with customers that include fixed or determinable prices that are based upon daily, hourly or contracted rates. Revenue is recognized as services are rendered and when collectability is reasonably assured.

Risks and Uncertainties

FLYHT operates in the aviation industry and part of the business involves risks and uncertainties. The Company takes steps to manage these risks, though it is important to identify risks that could have a material effect on business or results of operations. Such risks are listed below; the areas defined are not inclusive.

Installations at c-checks

The Company's products, AFIRS 220 and 228, can take approximately 200 person-hours or more to install on an aircraft, depending on the aircraft type and crew. As the box needs a longer period to be installed, the installation is usually scheduled when the aircraft is undergoing its routine c-check or scheduled maintenance. The timing of c-checks depends on how many segments the aircraft has flown and is based on the manufacturer's guidelines; it can take as long as two or three years before an aircraft is out of service for an extended period. Waiting for a c-check for AFIRS installation is a risk to the Company because it results in a delay in initial revenue from the sale of the box and the Company does not receive recurring revenue connected with the monthly service offerings until the device is installed and running.

The Company takes steps to mitigate this risk by encouraging customers to install AFIRS at their aircraft's earliest availability and works with them to provide the box at the right time for installation, preferably while the aircraft is down for normal service. The goal is to reduce aircraft downtime and save the customer as much money as possible. Another risk mitigation tool used by the Company is to offer special discounts to airlines that pay for all units up front. This discount decreases FLYHT's gross margin slightly, but allows the Company to bring in cash immediately after signing an agreement. As well, the terms of the Company's standard agreement states that payment is due a minimum of 45 days prior to the shipment of kits.

Foreign currency fluctuations

The Company does a majority of its business in U.S. dollars so there is a risk of currency fluctuation. The major portion of the operating and overhead costs are denominated in Canadian dollars, though a significant portion of costs of goods sold, marketing and distribution costs are U.S. dollar denominated, and therefore create a natural hedge against fluctuations of the Canadian dollar.

General economic and financial market conditions

In an industry, such as the aviation industry, finances are tied to global trends and patterns. As an airline's spending is tied to their income, they may be unwilling or unable to spend money, particularly on a value-added product such as AFIRS.

In order to address this risk, the sales team has developed a number of strategies. One is a global sales presence. FLYHT has established sales agents on every continent. While some economies of the world may be in a slump or downturn, there is a place for FLYHT in growing markets. FLYHT also demonstrates to potential customers the impressive return on investment model, how quickly potential customers can improve operational efficiency, and ultimately how much AFIRS will save them in operating cost.

Dependence on key personnel and consultants

FLYHT's ability to maintain its competency in the industry is dependent on maintaining a specialty skilled workforce. The Company's DAO status, delegated by TCCA, enables a smooth implementation of STCs, required to install AFIRS on aircraft. Key staff with TCCA delegation status enable the Company to complete STCs in a timely and cost efficient manner. The Company has worked over the past few years to distribute the specified knowledge among a number of key individuals. This reduces risk and ensures the Company can still function effectively were it to lose specialized staff.

Dependence on new products

Over the past few years, the Company has been in the R&D stage of its next generation product, AFIRS 228. FLYHT is confident the product fills a gap in the industry, as evidenced by sales of the AFIRS 228 throughout 2013 and 2014. Through 2014 FLYHT has been working to increase certification of the 228 from an 'E' to a 'D' level certification at the request of customers; once certified it will again increase the market for the Company's product. FLYHT released the Dragon in the fall of 2013, expanding into the sector within the industry that required a portable satellite communications device to meet general aviation operators' need for increased connectivity. The Company's success will ultimately depend on the success of both products, and future enhancements made to both.

Availability of key supplies

FLYHT produces and builds all AFIRS 220 units in-house, while AFIRS 228 units are built by a contract manufacturer. The Company relies on partners, suppliers and special parts to complete unit builds. Certain parts can be delayed in shipping or availability, which can cause a delay in building the AFIRS 220 or in receiving AFIRS 228 completed units. FLYHT aims to avoid the risk of not having the necessary supplies by managing inventories and storing extra key parts. The contract manufacturer is a global supplier with the ability to meet FLYHT's requirements. Additionally, the Company maintains close communication with its partners and suppliers to ensure all key components for the AFIRS units will be available into the future.

Proprietary protection

Patent rights are extremely important to the continuation of the Company because the AFIRS technology is the Company's primary revenue source. The Company relies on contract, copyright and trademark laws and has received patents from the United States, Chinese, Turkish and European patent offices. These patents are generally respected in other international jurisdictions as well. The risks involved with proprietary protection lie in other companies infringing on FLYHT patents or claiming patent infringement by FLYHT, though the Company has defended patent claims in court and been successful. FLYHT conducted due diligence on its technology and the conditions of its patent before applying and maintains that it holds unique characteristics from other technologies in the marketplace and does not infringe on the rights of any third parties.

Transactions with Related Parties

Throughout 2014, the Company engaged in transactions with a company owned by a former director to supply consulting services in promoting the Company's product as a preferred solution for enhanced aircraft tracking and triggered data transmission.

	Included in contract labour:				**Included in accounts payable and accrued liabilities:**	
	For the three months ended December 31		**For the year ended December 31**		**December 31**	
	2014 $	**2013 $**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Consulting fees	5,621	-	74,418	-	-	-
Total	**5,621**	**-**	**74,418**	**-**	**-**	**-**

All of the transactions with the related parties were at exchange amounts that approximated fair value. All other transactions with related parties were normal business transactions related to employee and director positions within the Company. These transactions included expense reimbursements for business travel and expenses paid by the related party, and were measured at exchange amounts paid to a third party as substantiated with a third party receipt.

Independent Auditors' Report

To the Shareholders of FLYHT Aerospace Solutions Ltd.

We have audited the accompanying consolidated financial statements of FLYHT Aerospace Solutions Ltd., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income (loss), changes in equity (deficiency) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of FLYHT Aerospace Solutions Ltd. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 (d) in the consolidated financial statements, which indicates that FLYHT Aerospace Solutions Ltd. has a net loss and negative cash flows from operating activities for the year ended December 31, 2014 and is dependent upon obtaining profitable operations and/or additional financing to fund its ongoing operations. These conditions, along with other matters as set forth in Note 2 (d) in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about FLYHT Aerospace Solutions Ltd.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants
April 7, 2015
Calgary, Canada

Consolidated Statement of Financial Position

	December 31, 2014 $	December 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	3,910,962	5,184,803
Restricted cash (note 13)	250,000	250,000
Trade and other receivables (note 7)	959,786	784,426
Deposits and prepaid expenses	183,750	145,554
Inventory (note 8)	1,917,249	1,308,243
Total current assets	7,221,747	7,673,026
Non-current assets		
Property and equipment (note 9)	217,186	191,695
Intangible assets (note 10)	34,992	34,992
Inventory (note 8)	801,621	536,249
Total non-current assets	1,053,799	762,936
Total assets	8,275,546	8,435,962
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 11)	2,129,622	3,704,496
Unearned revenue (note 12)	1,484,345	1,103,834
Loans and borrowings (note 13)	572,782	3,745,513
Finance lease obligations	25,973	13,175
Current tax liabilities (note 25)	-	895
Total current liabilities	4,212,722	8,567,913
Non-current liabilities		
Unearned revenue (note 12)	191,401	-
Loans and borrowings (note 13)	5,462,701	1,992,028
Finance lease obligations	43,478	-
Provisions (note 15)	235,019	148,428
Total non-current liabilities	5,932,599	2,140,456
Total liabilities	10,145,321	10,708,369
Equity (deficiency)		
Share capital (note 16)	53,496,969	48,318,003
Convertible debenture – equity feature (note 13)	220,700	231,318
Warrants (note 16)	163,771	1,057,652
Contributed surplus	7,865,143	7,458,093
Deficit	(63,616,358)	(59,337,473)
Total (deficiency)	(1,869,775)	(2,272,407)
Total liabilities and deficit	8,275,546	8,435,962

See accompanying notes to consolidated financial statements. Going concern (note 2d)

On behalf of the board | Director – Douglas Marlin | Director – Paul Takalo

Consolidated Statement of Comprehensive Income (Loss)

	For the year ended December 31	
	2014 **$**	**2013** **$**
Revenue (note 18)	6,882,028	8,000,364
Cost of sales	2,550,051	3,264,786
Gross profit	4,331,977	4,735,578
Other (income) (note 19)	-	(257,520)
Distribution expenses (note 21)	3,392,991	2,956,446
Administration expenses (note 22)	3,548,518	2,859,122
Research, development and certification engineering expenses (note 23)	777,749	2,180,227
Loss from operating activities	(3,387,281)	(3,002,697)
Finance (income) (note 24)	(156,265)	(2,221)
Finance costs (note 24)	1,047,815	1,062,223
Net finance costs	(891,550)	(1,060,002)
Loss before income tax	(4,278,831)	(4,062,699)
Income tax expense (note 25)	54	465
Loss for the period	(4,278,885)	(4,063,164)
Total comprehensive loss for the period	(4,278,885)	(4,063,164)
Loss per share		
Basic and diluted loss per share (note 17)	(0.03)	(0.03)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (Deficiency)

For the years ended December 31, 2014 and 2013

	Share Capital $	Convertible Debenture $	Warrants $	Contributed Surplus $	Deficit $	Total Equity (Deficit) $
Balance at December 31, 2013	48,318,003	231,318	1,057,652	7,458,093	(59,337,473)	(2,272,407)
Loss for the period	-	-	-	-	(4,278,885)	(4,278,885)
Total comprehensive loss for the year	-	-	-	-	(4,278,885)	(4,278,885)
Contributions by and distributions to owners						
Issue of common shares	58,000	(10,618)	-	93,531	-	140,913
Share-based payment transactions	-	-	-	588,589	-	588,589
Share options exercised	1,008,573	-	-	(314,948)	-	693,625
Warrants exercised	4,112,393	-	(854,003)	-	-	3,258,390
Warrants expired	-	-	(39,878)	39,878	-	-
Total contributions by and distributions to owners	5,178,966	(10,618)	(893,881)	407,050	-	4,681,517
Balance at December 31, 2014	53,496,969	220,700	163,771	7,865,143	(63,616,358)	(1,869,775)
Balance at December 31, 2012	39,877,966	231,318	3,340,222	6,957,809	(55,274,309)	(4,866,994)
Loss for the year	-	-	-	-	(4,063,164)	(4,063,164)
Total comprehensive loss for the period	-	-	-	-	(4,063,164)	(4,063,164)
Contributions by and distributions to owners						
Issue of common shares	157,280	-	-	-	-	157,280
Share issue cost	(3,121)	-	-	-	-	(3,121)
Share options exercised	148,007	-	-	(55,107)	-	92,900
Share-based payment transactions	-	-	-	358,706	-	358,706
Warrants exercised	8,137,871	-	(2,085,885)	-	-	6,051,986
Warrants expired	-	-	(196,685)	196,685	-	-
Total contributions by and distributions to owners	8,440,037	-	(2,282,570)	500,284	-	6,657,751
Balance at December 31, 2013	48,318,003	231,318	1,057,652	7,458,093	(59,337,473)	(2,272,407)

*Accumulated other comprehensive income (loss) - See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	For the year ended December 31	
Cash flows from operating activities	**2014** **$**	**2013** **$**
Loss for the period	(4,278,885)	(4,063,164)
Depreciation – PPE	65,322	87,710
Depreciation - AFIRS units	-	11,735
Amortization of intangible assets	-	27,631
Convertible debenture accretion	784,404	657,620
Payment of debenture interest	(502,487)	(406,836)
Amortization of debenture issue costs	88,530	84,135
Government grant accretion	149,001	123,460
Government grant	-	(130,801)
Loss on disposal of property & equipment	-	26,991
Equity-settled share-based payment transactions	588,589	358,706
Change in inventories	(874,377)	547,199
Change in trade and other receivables	(195,614)	400,326
Change in prepayments	(38,195)	(46,090)
Change in trade and other payables	(1,486,537)	(87,174)
Change in provisions	86,591	101,976
Change in unearned revenue	571,912	(1,613,411)
Unrealized foreign exchange	(212,393)	173,240
Interest expense	3,885	10,187
Interest paid	(3,885)	(10,187)
Income tax expense	54	465
Income tax paid	(950)	(3,648)
Net cash used in operating activities	(5,255,035)	(3,749,930)
Cash flows from investing activities		
Acquisitions of property and equipment	(10,236)	(38,680)
Interest income	(2,000)	(2,221)
Interest received	2,000	2,221
Net cash used in investing activities	(10,236)	(38,680)
Cash flows from financing activities		
Share issue costs	-	(3,121)
Proceeds from issue of debenture	-	1,918,813
Proceeds from issue and exercise of share options and warrants	3,952,015	6,302,166
Proceeds from grant: SADI	-	196,751
Repayment of borrowings	(80,592)	(82,400)
Payment of finance lease liabilities	(24,300)	(19,963)
Net cash from financing activities	3,847,123	8,312,246
Net (decrease) increase in cash and cash equivalents	(1,418,148)	4,523,636
Cash and cash equivalents, beginning	5,184,803	676,246
Effect of exchange rate fluctuations on cash held	144,307	(15,079)
Cash and cash equivalents, ending	3,910,962	5,184,803

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

FLYHT Aerospace Solutions Ltd. (the "Company" or "FLYHT") was founded in 1998 under the name AeroMechanical Services Ltd. FLYHT is a public company incorporated under the Canada Business Corporations Act, and is domiciled in Canada. The Company has been listed on the TSX Venture Exchange since March 2003, first as TSX.V: AMA and as TSX.V: FLY since 2012 and has been listed on the OTCQX marketplace since June 2014 as OTCQX: FLYLF. The Company's head office is located at 300E, 1144 – 29th Avenue NE, Calgary, Alberta T2E 7P1.

The consolidated financial statements of the Company as at and for the years ended December 31, 2014 and 2013 consist of the Company and its subsidiaries.

FLYHT is a designer and developer of products and software, and a service provider to the global aerospace industry. The Company supports aviation customers in different sectors including commercial, business, leasing and military operators. FLYHT's headquarters are located in Calgary, Canada with sales representation in the United States, China, the United Kingdom, Singapore, Ireland, and Abu Dhabi.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were approved by the Board of Directors on April 7, 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value in the statement of financial position ("SFP").

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue to realize its assets and meet its obligations in the ordinary course of business. As at December 31, 2014, the Company had positive working capital of $3,009,025, a deficit of $63,616,358, a net loss of $4,278,885 and negative cash flow used in operating activities of $5,255,035 for the year.

The Company has incurred significant operating losses and negative cash flows from operations over the past years. The Company's ability to continue as a going concern is dependent upon attaining profitable operations and/or obtaining additional financing to fund its ongoing operations. The Company's ability to attain profitable operations and positive cash flow in the future is dependent upon various factors including its ability to acquire new customer contracts, the success of management's continued cost containment strategy, the completion of research and development ("R&D") projects, and general economic conditions. It is the Company's intention to continue to fund operations by adding revenue and its resulting cash flow as well as continue to manage outgoing cash flows. If the need arises due to market opportunities the Company may meet those needs via the capital markets. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

There is no assurance that the Company will be successful in attaining and sustaining profitable operations and cash flow or raising additional capital to meet its working capital requirements. If the Company is unable to satisfy its working capital requirements from these sources, the Company's ability to continue as a going concern and to achieve its intended business objectives will be adversely affected. These consolidated financial statements do not reflect adjustments that would otherwise be necessary if the going concern assumption was not valid, such as revaluation to liquidation values and reclassification of statement of financial position items.

(e) Critical Accounting Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates are based on management's historical experiences and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

2. BASIS OF PREPARATION (CONTINUED)

(e) Critical Accounting Estimates (continued)

The following are the Company's critical accounting policies, significant estimates, and assumptions used in preparing our financial statements:

8. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay trade balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience, and economic circumstances.

9. The Company evaluates its deferred tax assets at each reporting date and recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized. At December 31, 2014, no deferred tax assets were recognized.

10. The Company records amounts for warranty based on historical warranty data. A provision is recognized upon shipment of the underlying products.

11. Intangible assets are stated at cost less accumulated amortization and comprise of a license, customer contracts, and customer relationships. The license has an indefinite life. The customer contracts and relationships are amortized using the straight line method over the remaining life of the assumed contract. Indefinite lived intangible assets are subject to an annual impairment test unless if events or circumstances change that indicate that the carrying value may not be recoverable then impairment is evaluated more frequently..

12. Consideration received for installation kits is deferred as unearned revenue and corresponding expenses are recorded as work in progress until the system is fully functional and customer acceptance has been obtained, at which time the full deferred amount is recognized in revenue along with the work in progress as cost of sales. Revenue from UpTime usage fees is recognized at the end of each month and is based on actual usage during that month.

13. Revenue from the sale of Dragons, Underfloor Stowage Units and other parts is recognized when the unit is shipped, title is transferred, and collection is reasonably assured. Certain customers have prepaid for products or services not yet delivered. These amounts are included in trade payables and accrued liabilities on the Statement of Financial Position, and are recorded as revenue in the period in which such products or services are delivered.

14. Technical services are provided based upon orders and contracts with customers that include fixed or determinable prices that are based upon daily, hourly or contracted rates. Revenue is recognized as services are rendered and when collectability is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated annual financial statements. These accounting policies have been applied consistently by FLYHT's subsidiaries.

(a) Basis of consolidation

(i) Business combinations

For acquisitions of businesses, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company will elect on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination will be expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by FLYHT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

These consolidated financial statements consolidate the accounts of FLYHT and its wholly owned subsidiaries, FLYHT Inc., AeroMechanical Services USA Inc., FLYHT Corp., FLYHT India Corp and TFM Inc. The latter four subsidiaries are inactive.

(iii) Transactions eliminated on consolidation

Intra-group balances, transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans, receivables and deposits on the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: debentures, trade payables and accrued liabilities, loans and borrowings, and finance lease obligations.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants are classified as equity. Incremental costs directly attributable to the issue of warrants are recognized as a deduction from equity, net of any tax effects.

The fair value of warrants is estimated using the Black-Scholes option pricing model.

(iv) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible secured subordinate debentures that can be converted to common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest relating to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(c) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The amount of inventory that is expected to be recovered more than 12 months after the reporting date is presented as a non-current asset.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Any writedown to net realizable value is recognized as an expense. Reversals of previous writedowns are recognized in profit or loss in the period when the reversal occurs.

AFIRS raw material inventories include general parts, which are held pending installation and sales to customers. The weighted average cost method is used.

The carrying cost of AFIRS assembled finished goods includes AFIRS raw material component costs plus a standard labour allocation. AFIRS finished goods consists of AFIRS units that have been assembled or purchased and are held pending sale to customers. The weighted average cost method is used for components, while the labour component allocated to each unit is valued using a standard cost.

Installations-in-progress includes product costs, and other direct project costs. When the system is fully functional, the installations-in-progress balance is recognized as cost of sales to correspond with the full unearned revenue amount then recognized as revenue.

The production of Underfloor Stowage Units and Dragons is outsourced and the weighted average cost method is used..

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset including those that are directly attributable to bringing the asset to the location and working condition for its intended use.

Software that is integral to the functionality of the related equipment is recognized as property and equipment, otherwise it is considered an intangible asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment. Net gains (losses) are recognized in profit or loss..

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in profit or loss at rates calculated to write-off assets over their estimated useful lives since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The depreciation rates are as follows::

Computers	30% declining balance
Software	12 months straight line
Equipment	20% declining balance
Leasehold improvements	Term of lease (7 years)

Estimates of depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

(iv) Research and development ("R&D")

Expenditure on research activities is expensed as incurred.

R&D costs consist primarily of consulting expenses and parts related to the design, testing, and manufacture of Automated Flight Information Reporting System ("AFIRSTM") and the design and testing of UpTime, FIRST, FLYHTStream, and FLYHT Fuel Management System. Other R&D costs include testing and certification.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses..

(v) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

(vi) Amortization

Amortization is calculated based on the asset's cost less its residual value.

Estimates of amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

(e) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for according to the accounting policy applicable to that asset. Other leases are operating leases and the Company does not recognize the leased assets in its statement of financial position. Initial direct costs for operating leases are expensed immediately.

As a lessee, FLYHT has several finance leases for computer hardware and leasehold improvements.

As a lessee, FLYHT has an operating lease for its premises..

(f) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Acquired intangible assets with indefinite useful lives are stated at cost and are not amortized.

The license with Bombardier that allows FLYHT access to technical documents has an indefinite life and is not amortized. The Company presently has dealings with Bombardier and sees no end to that relationship.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

(g) Government assistance

(i) Government grants

Government grants related to qualifying research expenditures are recognized in profit or loss to match the costs that they are intended to compensate when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

(ii) Government loans

Low-interest or interest-free government loans are measured initially at their fair value and interest is imputed on the loan in subsequent periods. The benefit of the below-market interest rate is measured as the difference between the fair value of the loan on initial recognition and the amount received. This benefit is accounted for according to the type of grant.

(h) Lease payments

(i) Operating lease payments

Payments made under operating leases are recognized in profit or loss on an accrual basis over the term of the lease. Initial direct costs for operating leases are immediately expensed.

(ii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between finance costs and a reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Warranties

The Company warrants that the AFIRS products shall be free of defects during the term of each agreement and any renewals. Also, FLYHT warrants that it will deliver all data services required by the customer accurately and on-time. A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data.

(j) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor will enter bankruptcy.

The Company assesses impairment of each customer's receivable balance by analyzing historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss regarding a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(j) Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, the recoverable amount is estimated at year end. The Company's non-financial assets that are subject to impairment include: property and equipment and intangible assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is assessed on an asset by asset basis at the point in time when a sale may be probable.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

(k) Revenue

(i) AFIRS sales

AFIRS fees from service agreements are deferred as revenue and corresponding expenses are recorded as an asset (installations in progress). Once the system (including the AFIRS unit and installation kit) is fully functional and accepted by the customer, the full deferred amount is recognized in revenue along with the installations in progress as cost of sales. Revenue from the sale of Dragons is recognized when the unit is shipped, title is transferred, and collection is reasonably assured.

(ii) Voice and Data services

Revenue from UpTime usage fees is recognized at the end of each month and is based on actual usage during that month.

(iii) Parts sales

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of Underfloor Stowage Units is recognized when the unit is shipped, title is transferred, and collection is reasonably assured.

(iv) Services

Technical services are provided based on orders and contracts with customers that include fixed or determinable prices that are based on daily, hourly, or contracted rates. Revenue is recognized in proportion to the stage of completion of the transaction at the reporting date.

(v) Other income

License fees and royalties paid for the use of FLYHT's assets (i.e., trademarks, patents, and software) are recognized on an accrual basis.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company follows accrual accounting for wages, salaries, commissions and variable compensation payments. The commission policy outlines how commissions are calculated and when payment is made to employees.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

Share-based payment transactions are equity-settled. Share options granted to directors and employees are measured using the fair value of the equity instruments granted at the grant date, which is determined using the Black-Scholes option pricing model.

If options are promised to an employee before the grant date, the Company recognizes the expense at the service commencement date based on fair value. Once the grant date is established, the earlier estimate is revised so that the expense is recognized based on the actual grant date fair value.

FLYHT estimates the expected forfeiture rate at the option grant date and updates the estimate over time as new information becomes available. Forfeitures may occur if employees terminate their employment before the options vest.

(m) Share-based payment transactions to non-employees

(i) Stock options granted to consultants

The Company grants stock options to consultants. These share-based payment transactions are equity-settled. Transactions with non-employees are measured based on the fair value of the goods or services received, at the receipt date. Fair value is measured at the date the Company obtains the goods or the counterparty renders service.

FLYHT estimates the expected forfeiture rate at the option grant date and updates the estimate over time as new information becomes available. Forfeitures may occur if consultants do not fulfill their obligations before the options vest.

(ii) Agent warrants

When the Company issues common shares, warrants, and debentures through brokered private placements, agent warrants are issued to the agents as consideration for their services.

Warrants are classified as equity. Incremental costs directly attributable to the issue of warrants are recognized as a deduction from equity, net of any tax effects.

The fair value of warrants is estimated using the Black-Scholes option pricing model.

(n) Finance income and finance costs

Finance income comprises interest income which is recognized as it accrues in profit or loss, using the effective interest method. The Company earns income on its cash and cash equivalents (bank deposits) and its restricted cash (Guaranteed Investment Certificates).

Finance costs comprise interest expense and accretion on borrowings, and unwinding of the discount on provisions and are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis, as either finance income or finance costs.

(o) Foreign currency

(ii) Foreign currency transactions

Foreign currency transactions are translated to Canadian dollars at the exchange rate in effect on the transaction date. Foreign currency denominated monetary assets and liabilities at each reporting date are retranslated to the functional currency at the exchange rate in effect on that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect on the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss.

(o) Foreign currency (Continued)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates in effect on the transaction dates.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which, in substance, is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

When a taxable temporary difference arises from the initial recognition of the equity component separately from the liability component of a compound financial instrument, the resulting deferred tax liability is charged directly to the carrying amount of the equity component.

(q) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined each period by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise debentures, convertible debentures, share options, and warrants.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards, interpretations, amendments and improvements to existing standards issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") were adopted as of January 1, 2014 without any material impact to FLYHT's financial statements: IFRS 7 / IAS 32 – Offsetting Financial Assets and Liabilities, IAS 1 – Presentation of Financial Statements, IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting, and IFRIC 21 - Levies.

The following new accounting pronouncements have been issued but are not effective and may have an impact on the Company. All of the following new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

> IFRS 9 – Financial Instruments replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. (January 1, 2018).
>
> IFRS 15 – Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue, Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfer of Assets from Customers, and SIC 31 - Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs (January 1, 2017).

The Company has not completed its evaluation of the effect of adopting these standards on its consolidated annual financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

(a) Share based payment transactions: measured using the Black-Scholes option pricing model;

(b) Loans and borrowings: for measurement purposes, initial fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the inception of the loan. In respect of the liability component of convertible debenture, the market rate of interest is determined by reference to similar liabilities that do not have a conversion feature. In respect of the convertible debentures and the debentures, as there has been no material change in the Company's market rate subsequent to the issuance dates, carrying value approximates fair value; and

(c) Trade and other receivables, trade payables and accrued liabilities: carrying value approximates fair value, due to the short-term nature of the instruments.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash balances and bank deposits with an original maturity of three months or less.

7. TRADE AND OTHER RECEIVABLES

	December 31, 2014 $	December 31, 2013 $
Trade receivables	944,835	771,244
Non-trade receivables and accrued receivables	14,951	13,182
Total	959,786	784,426

Non-trade receivables consist of earned interest income receivable, input tax credits, and government grants receivable. The Company's exposure to credit and currency risks is disclosed in note 26.

8. INVENTORY

	December 31, 2014 $	December 31, 2013 $
AFIRS raw materials	951,269	806,872
AFIRS finished goods	752,333	406,475
Installations in progress	1,015,268	631,145
Balance	2,718,870	1,844,492
Less current portion	(1,917,249)	(1,308,243)
Non-current portion	801,621	536,249

In 2014, AFIRS materials and changes in AFIRS units and installations in progress recognized as cost of sales amounted to $1,521,962 (2013: $1,941,847). Included in this amount was a write down of inventories amounting to $203,618 in 2014 (2013: recovery of $251,635) resulting from a complete review of slow moving inventory parts. All inventories are pledged as security for the bank loan and debentures.

9. PROPERTY AND EQUIPMENT

2014	Computers and Software $	Equipment $	Leasehold improvements $	Total $
Cost				
Balance at January 1	898,919	230,297	166,972	1,296,188
Additions	73,523	36,722	10,000	120,245
Disposals	(480,642)	(25,000)	(132,851)	(638,493)
Balance at December 31	491,800	242,019	44,121	777,940
Accumulated Depreciation				
Balance at January 1	803,805	172,021	128,667	1,104,493
Depreciation for the year	36,088	18,984	10,250	65,322
Disposals	(454,775)	(21,435)	(132,851)	(609,061)
Balance at December 31	385,118	169,570	6,066	560,754
Carrying Amounts				
At January 1	95,114	58,276	38,305	191,695
At December 31	106,682	72,449	38,055	217,186

2013	Computers and Software $	Equipment $	Leasehold improvements $	Total $
Cost				
Balance at January 1	894,360	230,297	132,851	11,257,508
Additions	4,559	-	34,121	38,680
Balance at December 31	898,919	230,297	166,972	1,296,188
Accumulated Depreciation				
Balance at January 1	760,111	157,452	99,220	1,016,783
Depreciation for the year	43,694	14,569	29,447	87,710
Balance at December 31	803,805	172,021	128,667	1,104,493
Carrying Amounts				
At January 1	134,249	72,845	33,631	240,725
At December 31	95,114	58,276	38,305	191,695

The Company leases equipment under several finance lease agreements. Certain leases provide FLYHT with the option to purchase the equipment at the end of the lease term. At December 31, 2014, the net carrying amount of leased property and equipment was $89,612 (2013: $41,619).

As of December 31, 2014, all property and equipment are pledged as security for the bank loan and debentures (note 13).

FLYHT entered into two finance lease agreements in 2014, the first covering equipment required for a security system in the new premises effective March 1, 2014, and the second covering computer hardware. Both agreements have a lease term of 36 months and the option to purchase the equipment at the end of the lease term.

10. INTANGIBLE ASSETS

2014	License $	Customer contracts $	Total $
Cost			
Balance at January 1	34,992	466,510	501,502
Balance at December 31	34,992	466,510	501,502
Amortization			
Balance at January 1	-	466,510	466,510
Balance at December 31	-	466,510	466,510
Carrying amounts			
At January 1	34,992	-	34,992
At December 31	34,992	-	34,992

2013	License $	Customer contracts $	Total $
Cost			
Balance at January 1	34,992	466,510	501,502
Balance at December 31	34,992	466,510	501,502
Amortization			
Balance at January 1	-	438,879	438,879
Amortization for the year	-	27,631	27,631
Balance at December 31	-	466,510	466,510
Carrying amounts			
At January 1	34,992	27,631	62,623
At December 31	34,992	-	34,992

The license with Bombardier allows FLYHT access to technical documents. It has an indefinite life, is not amortized, and is tested for impairment annually. The Company presently has dealings with Bombardier and forsees no end to that relationship.

FLYHT provides the contracted customers with UpTime data services. The fair value of the contracts acquired was amortized over the contract period, ending in March 2013.

Amortization of intangibles is included in the statement of comprehensive income as cost of sales. All intangible assets are pledged as security for the bank loan and debentures.

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
	$	$
Trade payables	650,712	2,454,242
Non-refundable customer deposits	790,405	620,840
Compensation and statutory deductions	516,881	512,806
Accrued liabilities	171,624	116,608
Total	2,129,622	3,704,496

Compensation and statutory deductions include accrued vacation pay, variable compensation, and statutory payroll deductions.

The Company settled an ongoing dispute with Sierra Nevada Corporation ("SNC") on June 16, 2014 whereby both parties mutually released all claims against each other. FLYHT and SNC entered into a License and Manufacturing Agreement ('L&M Agreement") as well as a Value Added Reseller Agreement ("VAR Agreement") and for the execution of those agreements SNC withdrew invoices totaling a Canadian equivalent of $1,950,957. The L&M Agreement provides for SNC to manufacture and/or sell to military end users and unmanned aerial vehicles. FLYHT will receive a fee for each unit manufactured and sold to an end user and a percentage of UpTime Service fees paid to SNC by the end user. These fees will commence once SNC realizes revenue of $2.5 million USD. As well, a VAR Agreement was entered into which allows SNC to market and sell FLYHT's AFIRS units and UpTime Services. Under the terms of the VAR Agreement FLYHT will pay SNC an agreed commission. Based on the terms of the agreements FLYHT derecognized the accounts payable liability with an off-setting recovery of research and development expenses of the same amount.

12. UNEARNED REVENUE

Unearned revenue classified as current consists of sales type agreements revenue that will be recognized when the AFIRS system is fully functional and expected to be recognized as income in the next year.

The license and manufacturing agreement with SNC gave SNC the right to manufacture the Company's AFIRS product and market the AFIRS UpTime technology and products to the global military market. The license fee was deferred as unearned revenue and revenue was recognized on a straight-line basis over the five year term of the agreement and was fully recognized as of December 31, 2013.

All amounts recorded in unearned revenue are non-refundable.

	December 31, 2014	December 31, 2013
	$	$
Balance January 1	1,103,834	2,717,245
AFIRS sales: shipped, not accepted	2,727,911	1,450,520
Voice and Data services: prepaid	92,084	414,228
AFIRS sales: revenue recognized	(2,146,871)	(2,694,292)
Voice and Data services: revenue recognized	(101,212)	(526,347)
License fees: revenue recognized	-	(257,520)
Balance December 31	1,675,746	1,103,834
Less current portion	1,484,345	1,103,834
Non-current portion	191,401	-

13. LOANS AND BORROWINGS

Bank loan

The Company currently has no bank debt and has available to it an operating demand loan up to a maximum of $250,000 (2013: $250,000). The operating loan bears interest at Canadian chartered bank prime plus 1.5%. The operating demand loan is secured by an assignment of cash collateral in the amount of $250,000 and a general security agreement including a first ranking security interest in all personal property. The amount of the cash collateral has been disclosed as restricted cash. As at December 31, 2014 and 2013, the facility had not been drawn.

Government loans

The Technology Partnerships Canada ("TPC") loan is non-interest bearing and unsecured. The loan is repayable annually, based on 15% of the initial contribution when the Company has achieved more than 10% growth in gross revenues above the previous year's gross revenue and the gross revenue for the year is greater than the base amount. The base amount is defined as the Company's gross revenue in fiscal 2004, which was at $556,127.

Under SADI, the Company has, at December 31, 2014, an outstanding repayable balance of $1,899,278, compared to $1,967,507 at December 31, 2013. The amount is repayable over 15 years on a stepped basis commencing April 30, 2014. The initial payment on April 30, 2014 was 3.5% of the total contribution received and the payment increases yearly by 15% until April 30, 2028 when the final payment is 24.5% of the total contribution received.

Convertible debentures

The debenture issued December 23, 2010 has a face value of $3,101,000 at December 31, 2014 (December 31, 2013: $3,159,000) and was set to mature on December 23, 2014. On December 22, 2014 approval was received to extend the maturity date of the debenture from four to six years. The debenture continues to bear interest at a rate of 8% per annum, accrued and paid annually in arrears commencing December 31, 2011. The debentures are convertible into common shares at a conversion rate of $0.40 per share at any time up to December 23, 2015. The debentures are secured against all personal property of the Company, with the exception of the Company's intellectual property, and are subordinated in right of payment to all existing and future bank and/or governmental indebtedness of the Company. The fair value of the conversion feature was determined at the time of issue as the difference between the principal value of the debentures and the discounted cash flows assuming an 18% rate. The conversion feature is classified as equity and amounts to $220,700 as at December 31, 2014 (December 31, 2013: $231,318). If the debentures are converted to shares, a portion of the value of the conversion feature recognized in shareholders' equity will be classified to share capital along with the conversion price paid.

Debentures

In two tranches on April 18 and May 28, 2013, the Company issued an aggregate $2,110,000 of debentures in a debt offering. The debentures mature on June 30, 2016 and bear interest at a rate of 12% per annum on the contributed amounts, which shall be accrued and paid annually in arrears commencing December 1, 2013. Purchasers of debentures received a capital discount premium of 10% on the financing, meaning that for every $1.00 debenture acquired, FLYHT shall owe, on the maturity date, principal equal to $1.10 to the debenture holder. The purchasers of the debentures were also issued one common share of the Corporation for every $1.00 principal amount of debentures acquired pursuant to the offering. A total of 2,110,000 common shares were issued under these tranches. All of the securities issued thereunder were subject to a 4-month hold period. The debentures are not listed on any stock exchange and are not convertible into common shares. The debentures are secured against all personal property of FLYHT, including FLYHT's intellectual property and are subordinated in right of payment to all existing and future secured bank and/or governmental indebtedness of FLYHT and any existing security already registered against FLYHT's assets. The fair value of the debenture was determined at the time of issue as the difference between the principal value of the debentures and the discounted cash flows assuming an 18% rate.

	December 31, 2014 $	December 31, 2013 $
TPC	-	12,364
SADI	899,601	818,828
Debenture payable	2,128,842	2,006,397
Convertible debenture payable	3,007,040	2,899,952
Balance December 31	6,035,483	5,737,541
Less current portion	(572,782)	(3,745,513)
Non-current portion	5,462,701	1,992,028

14. OPERATING LEASES

	2015	2016	2017	2018	2019	2020	2021	Total
Premises $	410,750	410,750	433,419	437,952	437,952	437,952	72,992	2,641,767

Operating lease payments made in 2014 totaled $441,101 (2013: $488,060).

15. PROVISIONS

Product warranty - non-current provision	2014 $	2013 $
Balance January 1	148,428	46,452
Provision made during the period	157,942	309,456
Provision used during the period	(71,351)	(207,480)
Balance December 31	235,019	148,428

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data.

16. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

Authorized:

Unlimited numbers of common shares, and classes A, B and C preferred shares, issuable in series, having no par value.

The preferred shares may be issued in one or more series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares in each series.

Common shares:	Number	Value $
Balance January 1, 2013	140,386,166	39,877,966
Exercise of employee options	2,110,000	157,280
Share issue costs	-	(3,121)
Share issue costs – agent warrants	314,000	92,900
Bifurcation of warrants	-	55,107
Exercise of employee options	16,007,102	6,051,986
Contributed surplus from exercise of employee options	-	2,085,885
Balance December 31, 2013	158,817,268	48,318,003
Exercise of employee options	2,774,500	1,008,573
Exercise of warrants	10,443,367	4,112,393
Debenture conversions	145,000	58,000
Balance December 31, 2014	172,180,135	53,496,969

16. CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

In 2014 warrant and option exercises together with convertible debenture conversions resulted in the Company issuing a total of 13,362,867 shares for total proceeds of $3,952,015, including:

a) 151,987 warrants were exercised at $0.20 per share for proceeds of $30,398

b) 8,885,600 warrants were exercised at $0.30 per share for proceeds of $2,665,680

c) 1,405,780 warrants were exercised at $0.40 per share for proceeds of $562,312

d) 2,774,500 options were exercised at $0.25 per share for proceeds of $693,625

e) 145,000 convertible debentures converted at $0.40 per share

Stock option plan

The Company grants stock options to its directors, officers, employees and consultants.

In the first quarter of 2014 the Company granted 400,000 stock options to one Investor Relations (IR) consultant under the stock option plan. The stock options expire December 31, 2016, have an exercise price of $0.45 per share, with 100,000 options vested on March 31, and a further 100,000 vesting on each of June 30, September 30, and December 31, 2014. The fair value of the options granted was determined based on the estimated fair value of services to be received.

In the second quarter of 2014 the Company granted 2,480,750 stock options to employees, officers and directors under the stock option plan. The stock options vest immediately, expire December 31, 2017, and have an exercise price of $0.40 per share. The options were granted at an exercise price not less than fair market value of the stock on the date of issuance.

In the third quarter of 2014 the Company granted 300,000 stock options to employees, officers and directors under the stock option plan. The stock options vest immediately; expire December 31, 2017, with 150,000 stock options having an exercise price of $0.40 per share, and 150,000 having an exercise price of 0.53 per share. The options were granted at an exercise price not less than fair market value of the stock on the date of issuance.

In the fourth quarter of 2014 the Company granted 50,000 stock options to an employee under the stock option plan. The stock options vest immediately; expire December 31, 2017, with an exercise price of 0.42 per share. The options were granted at an exercise price not less than fair market value of the stock on the date of issuance.

The Company has a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. As at December 31, 2014, there were 17,218,014 (2013: 15,881,726) common shares reserved for this purpose.

All outstanding options issued to date vested immediately at the grant date with the exception of 1,200,000 options, comprised of 400,000 options to each of three IR consultants. Vesting provisions provide that 25% of the total stock options issued under these three agreements vest to each of the IR consultants per quarter over the first one-year period. No options remained unvested as at December 31, 2014 (2013: 800,000).

A summary of the Company's outstanding and exercisable stock options as at December 31, 2014 and 2013 and changes during these years is presented below.

	2014		2013	
	Number	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, January 1	7,472,500	0.27	6,270,500	0.26
Options granted	3,230,750	0.41	3,599,000	0.29
Options exercised	(2,774,500)	0.25	(314,000)	0.30
Options expired	(126,500)	0.30	(2,083,000)	0.28
Outstanding, December 31	7,802,250	0.34	7,472,500	0.27
Exercisable, December 31	7,802,250	0.34	6,672,500	0.25

16. CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

Weighted average life remaining for the options outstanding and exercisable is 2.1 years. The exercise prices for options outstanding at December 31, 2014 were as follows:

	All options		Exercisable options	
Exercise price:	**Number**	**Weighted average remaining contractual life (years)**	**Number**	**Weighted average remaining contractual life (years)**
$0.25	1,812,500	1.0	1,812,500	1.0
$0.25	2,003,000	2.0	2,003,000	2.0
$0.40	2,586,750	3.0	2,586,750	3.0
$0.42	50,000	3.0	50,000	3.0
$0.45	1,200,000	2.0	1,200,000	2.0
$0.53	150,000	3.0	150,000	3.0
Total	7,802,250	2.1	7,802,250	2.1

The weighted average fair value of the options granted during the year that were valued using the Black-Scholes option pricing model was $0.20 (2013: $0.12). The fair value of the options granted and valued using the Black-Scholes option pricing model were valued with the following weighted average assumptions:

	2014	**2013**
Risk-free interest rate	1.48%	1.24%
Expected life (years)	3.69	3.65
Volatility in the price of the Company's common shares	74%	99%
Dividend yield rate	0.00%	0.00%

Warrants

	Number	**Weighted average exercise price**	**Value**
		$	**$**
Outstanding January 1, 2013	32,133,969	0.40	3,340,222
Warrants exercised	(16,007,102)	0.38	(2,085,885)
Warrants expired	(1,415,000)	0.40	(196,685)
Outstanding December 31, 2013	14,711,867	0.23	1,057,652
Warrants exercised	(10,443,367)	0.31	(854,003)
Warrants expired	(319,750)	0.30	(39,878)
Outstanding December 31, 2014	3,948,750	0.75	163,771

17. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic and diluted earnings per share for the year ended December 31, 2014 was based on a weighted average number of common shares outstanding of 166,441,119 (2013: 142,691,525). The calculation of diluted earnings per share did not include stock options of 7,802,250 (2013: 7,872,500), warrants of 3,948,750 (2013: 14,711,867) and convertible debentures of 7,390,000 (2013: 7,897,500) because they would be anti-dilutive.

18. REVENUE

	2014 $	2013 $
Voice and data services	3,657,300	3,624,719
AFIRS sales	2,054,251	2,707,839
Parts sales	718,567	655,561
Services	451,910	1,012,245
Total	6,882,028	8,000,364

Voice and Data services include UpTime monthly voice and data usage fees. AFIRS sales includes revenue from AFIRS and Dragon hardware sales along with the parts required to install the unit. Parts sales includes spare AFIRS units, spare installation kit parts, L-3 AR revenue and Underfloor Stowage Units. Services include technical, repair and installation support services.

19. OTHER INCOME

Other income consists of the recognition of the SNC license fee that was deferred as unearned revenue when received and recognized over the initial five year term of the agreement. The amount was fully recognized by December 31, 2013.

20. OPERATING SEGMENTS

The Company has one operating segment.

Geographical Information

The following revenue is based on the geographical location of customers.

	2014 $	2013 $
North America	3,321,408	3,853,788
South / Central America	304,449	460,184
Africa / Middle East	1,194,644	1,391,446
Europe	317,112	549,718
Australasia	658,366	697,249
Asia	1,086,049	1,047,979
Total	6,882,028	8,000,364

All non-current assets (property and equipment and intangible assets) reside in Canada.

Major customers

Revenues from the three largest customers represent approximately 30.9% of the Company's total revenues for the year ended December 31, 2014 (2013: 31.1%).

21. DISTRIBUTION EXPENSES

	2014 $	2013 $
Salaries and benefits	1,652,340	1,506,626
Stock based compensation	84,971	85,071
Contract labour	354,320	275,059
Office	275,427	366,439
Travel	449,215	403,319
Equipment & maintenance	22,180	25,413
Depreciation	26,910	46,129
Marketing	55,610	41,441
Bad debts & other	472,018	206,949
Total	3,392,991	2,956,446

22. ADMINISTRATION EXPENSES

	2014 $	2013 $
Salaries and benefits	1,468,711	1,498,854
Stock based compensation	417,278	260,091
Contract labour	245,678	141,271
Office	276,983	305,104
Legal fees	151,566	36,405
Audit and accounting	141,438	122,625
Investor relations	372,423	243,975
Brokerage, stock exchange, and transfer agent fees	74,066	27,377
Travel	215,660	96,585
Equipment and maintenance	98,438	55,462
Depreciation	15,217	23,920
Other	71,060	47,453
Total	3,548,518	2,859,122

23. RESEARCH AND DEVELOPMENT EXPENSES

To date, all development costs have been expensed as incurred.

	2014 $	2013 $
Salaries and benefits	1,874,482	1,536,904
Stock based compensation	86,341	13,542
Contract labour	538,874	533,107
Office	288,686	188,579
Travel	37,882	48,734
Equipment and maintenance	56,555	33,154
Components	52,308	264,587
Government grants	-	(130,801)
SRED tax credit	(241,677)	(326,195)
Depreciation	23,195	17,661
Other	12,060	955
SNC litigation settlement (note 11)	(1,950,957)	-
Total	777,749	2,180,227

24. FINANCE INCOME AND FINANCE COSTS

	2014 $	2013 $
Interest income on bank deposits	2,000	2,221
Net foreign exchange gain	154,265	-
Finance income	156,265	2,221
Bank service charges	21,995	21,388
Interest expense	3,885	10,187
Government grant interest expense	149,001	123,460
Debenture interest expense and accretion	784,404	657,620
Debenture issuance cost amortization	88,530	84,136
Net foreign exchange loss	-	165,432
Finance costs	1,047,815	1,062,223

25. INCOME TAX EXPENSE

Current Tax Expense

	2014 $	2013 $
Current income tax expense	54	465
Deferred income tax expense	-	-
	54	465

Deferred Tax Expense

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect to the following items:

	2014	2013
Capital assets	180,622	156,933
Intangibles	107,370	113,870
Inventory	2,342	405
Non-capital loss carry-forwards	10,643,137	9,599,862
Share issue costs	52,432	90,225
Scientific research and experimental development expenditures	6,735,345	6,203,715
	17,721,248	16,165,010

The Company has non-capital losses for income tax purposes of approximately $41,749,511 which are available to be applied against future year's taxable income. The benefit of these non-capital losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which FLYHT can use the benefits. These losses will expire as follows:

Year	Amount $
2014	2,570,288
2015	2,461,959
2026	3,390,309
2027	5,596,948
2028	6,997,140
2029	2,791,748
2030	6,596,636
2031	4,351,802
2032	2,313,255
2033	1,464,723
2034	3,214,703
Total	41,749,511

25. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

	2014 $	2013 $
Loss for the period	(4,278,885)	(4,063,164)
Total income tax expense	54	465
Loss excluding income tax	(4,278,831)	(4,062,699)
Tax Rate	25.0%	25.0%
Expected income tax recovery	(1,069,708)	(1,015,675)
True up from prior year	(636,299)	486,748
Non-deductible expenses	200,624	171,827
Stock based compensation	147,147	89,676
Change in unrecognized temporary differences	1,358,290	267,889
	54	465

26. FINANCIAL RISK MANAGEMENT

The Company's operating activities expose it to a variety of financial risks, including credit, liquidity and market risks associated with the Company's financial assets and liabilities. FLYHT has established procedures and policies to minimize its exposure to these risks, and continually monitors its exposure to all significant risks to assess the impact on its operating activities. The following details the Company's exposure to credit, liquidity, currency, and other market risks.

Credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate. Approximately 13.1% (2013: 11.7%) of the Company's 2014 revenue is attributable to transactions with a single customer; however, geographically there is no concentration of credit risk.

Each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Company's benchmark creditworthiness may transact with FLYHT only on a prepayment basis. The AFIRS solution is subject to a retention of title clause, so that in the event of non-payment the Company will have a secured claim. To further minimize credit exposure, the sale of most AFIRS solutions requires payment in advance of any product shipment. At each reporting date, the Company establishes an allowance for impairment that represents its estimate of incurred losses.

The aging of receivables at the reporting date was:

December 31, 2014	0-30 days $	31-60 days $	61-90 days $	91+ days $	Total $
Accounts receivable	646,795	326,522	107,106	271,218	1,351,641
Impairment	(37,747)	(37,728)	(37,731)	(278,649)	(391,855)
Net receivable	609,048	288,794	69,375	(7,431)	959,786

December 31, 2013	0-30 days $	31-60 days $	61-90 days $	91+ days $	Total $
Accounts receivable	404,658	129,737	175,233	272,805	982,433
Impairment	(4,705)	(7,058)	(30,216)	(156,028)	(198,007)
Net receivable	399,953	122,679	145,017	116,777	784,426

The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behavior.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

The movement in the allowance for impairment in respect of trade and other receivables for the years ended December 31, 2014 and 2013 was:

	2014 $	2013 $
Balance, January 1	198,007	12,994
Provision	409,478	198,007
Amounts written off	(203,651)	(12,645)
Impairments recovered	(11,979)	(349)
Balance, December 31	391,855	198,007

Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risks by having cash available, by maintaining a conservative capital structure, by prudently managing its credit risks, and by maintaining its relationship with the capital markets to meet any near-term liquidity requirements.

The following table details the contractual maturities of financial liabilities, including estimated interest payments.

December 31, 2014	< 2 months $	2-12 months $	1-2 years $	2-5 years $	> 5 years $	Total $
Accounts payable	638,598	12,114	-	-	-	650,712
Compensation and statutory deductions	406,298	110,584	-	-	-	516,882
Finance lease liabilities	4,970	24,849	29,818	15,794	-	75,431
Accrued liabilities	43,641	115,030	-	12,953	-	171,624
Loans and borrowings	-	585,146	5,819,600	360,335	1,370,267	8,135,348
Total	1,093,507	847,723	5,849,418	389,082	1,370,267	9,549,997

December 31, 2013	< 2 months $	2-12 months $	1-2 years $	2-5 years $	> 5 years $	Total $
Accounts payable	581,557	18,726	-	-	-	600,283
Accounts payable – SNC	1,921,384	-	-	-	-	1,921,384
Compensation and statutory deductions	296,223	216,583	-	-	-	512,806
Finance lease liabilities	4,059	9,970	-	-	-	14,029
Accrued liabilities	40,678	75,930	-	-	-	116,608
Loans and borrowings	-	3,751,695	344,026	2,781,399	1,507,480	8,384,600
Total	2,843,901	4,072,904	344,026	2,781,399	1,507,480	11,549,710

Currency risk

A significant portion of the Company's revenues and a portion of its expenses are denominated in U.S. dollars. Management estimates that a 1% weakening of the Canadian dollar relative to the U.S. dollar would increase net earnings by approximately $65,743 (2013: $76,314) and a strengthening of the Canadian dollar would decrease net earnings by approximately $65,743 (2013: $76,314).

The Company mitigates its currency exposures by the international nature of the business where a portion of its cost of goods sold are in currencies that naturally hedge a portion of U.S. dollar revenue. The Company has not engaged in activities to manage its cash flow foreign currency exposure through the use of financial instruments.

The Company has exposure to foreign exchange risk for working capital items denominated in U.S. dollars. At December 31, 2014, working capital denominated in U.S. dollars was approximately positive $3,109,586 (2013: negative $1,180,745). As a result a 1% weakening of the Canadian dollar would increase net earnings by approximately $31,096 (2013: $11,807) and a strengthening of the Canadian dollar would decrease net earnings by approximately $31,096 (2013: $11,807).

The Company mitigates its working capital exposure by managing its U.S. dollar denominated working capital items to limit the requirement to convert either to or from U.S. dollars to fulfill working capital payment requirements.

Although there are limited expenses under contracts denominated in EUR and GBP, fluctuations in these currencies would result in insignificant foreign exchange variances. In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

Borrowings issued at variable rates result in exposure to interest rate risk, which would affect future cash flows if interest rates were to rise. Fluctuations in the prime interest rate could result in exposure for the Company with regards to the bank credit facility, which bears interest at Canadian chartered bank prime plus 1.5%. The Company's exposure to interest rate risk as at December 31, 2014 and 2013 was minimal as the credit facility had not been drawn.

Market risk

Market risk is the risk that changes in market conditions, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The Company's objective in managing market risk is to manage and control exposure, while optimizing return.

Fair values versus carrying amounts

The fair values of financial assets and liabilities approximate carrying values.

Capital management

FLYHT's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. In order to maintain or adjust the capital structure, the Company may issue new debt, sell assets to reduce debt, or issue new shares. There were no changes in the Company's approach to capital management during the year.

27. RELATED PARTIES

Throughout 2014, the Company engaged in transactions with a company owned by a former director to supply consulting services in promoting the Company's products as a preferred solution for enhanced aircraft tracking and triggered data transmission.

	Included in contract labour:				Included in accounts payable and accrued liabilities:	
	For the three months ended December 31		For the year ended December 31		December 31	
	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$
Consulting fees	5,621	-	74,418	-	-	-
Total	5,621	-	74,418	-	-	-

All of the transactions with the related parties were amounts that were agreed upon by the parties and approximated fair value. All other transactions with related parties were normal business transactions related to their positions within the Company. These transactions included expense reimbursements for business travel and other expenses paid by the related party and were measured at exchange amounts that the related party paid to a third party and were substantiated with a third party receipt.

27. RELATED PARTIES (CONTINUED)

Transactions with key management personnel

Key management personnel includes all persons with direct or indirect authority and responsibility for planning, directing and controlling the activities of the Company, and includes directors and the FLYHT's executive team.

In addition to salary and variable compensation, the Company also provides non-cash benefits to key management personnel. Certain executive officers are entitled to a mutual term of notice of six months.

Compensation for this group comprised:

	2014 $	2013 $
Salary	1,138,733	736,500
Director fees	125,928	109,359
Variable compensation	221,471	192,264
Retiring allowance	275,000	-
Share-based payments	208,418	94,550
Short-term employee benefits	131,425	57,254
Total	2,100,975	1,189,927

Directors of the Company control 4.1% (2013: 4.1%) of the voting shares of the Company.

Subsidiaries

	Country of Incorporation	Ownership interest
FLYHT Inc.	United States	100%
AeroMechanical Services USA Inc.	United States	100%
FLYHT Corp.	Canada	100%
FLYHT India Corp.	Canada	100%
TFM Inc.	Canada	100%

Corporate Information

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
Telephone: 1-866-313-1872
Email: inquiries@valianttrust.com
www.valianttrust.com

SHARE LISTING

Shares are traded on the TSX Venture Exchange and the OTCQX Marketplace

Ticker Symbols: TSX: FLY
and OTCQX: FLYLF

INVESTOR RELATIONS

Email: investors@flyht.com
Telephone: 1-403-250-9956
Toll free: 1-866-250-9956
www.flyht.com

The Howard Group Inc.
Dave Burwell
Email: dave@howardgroupinc.com
Telephone: 1-403-410-7907
www.howardgroupinc.com

Kin Communications Inc.
Fred Leigh
Email: FLY@kincommunications.com
Telephone: (866) or (604) 684-6730

Bristol Capital Ltd.
Glen Akselrod
Email: glen@bristolir.com
Telephone: 1-905-326-1888
www.bristolir.com

DIRECTORS

Doug Marlin	Chairman, FLYHT Aerospace Solutions Ltd. & President, Marlin Ventures Ltd.
Bill Tempany	Chief Executive Officer, FLYHT Aerospace Solutions Ltd.
Mike Brown	Partner, Geselbracht Brown
Paul Takalo	Director
Jacques Kavafian	Director
Jack Olcott	President, General Aviation Company
Barry Eccleston	President, Airbus Americas, Inc.
John Belcher	Former Chairman and Chief Executive Officer, ARINC Inc.

OFFICERS

Bill Tempany	Chief Executive Officer
Matt Bradley	President
Nola Heale	Chief Financial Officer
Derek Graham	Chief Technical Officer
Jeff Brunner	VP Certification Engineering and China Operations

AUDITOR

KPMG LLP	Calgary, Alberta

LEGAL COUNSEL

Chris Croteau	Tingle Merrett LLP, Calgary, Alberta

HEAD OFFICE

300E, 1144 - 29 Avenue NE
Calgary, Alberta T2E 7P1

FLYHT™
The Future of Connectivity

FLYHT
Aerospace Solutions Ltd.

300 E, 1144 – 29 Ave NE
Calgary, AB, T2E 7P1
Canada

Phone: 1.866.250.9956
Fax: 1.403.291.9717

www.flyht.com