First Quarter 2015

FLYHT

AEROSPACE SOLUTIONS LTD.

THE FUTURE OF CONNECTIVITY

FLYHT™
The Future of Connectivity

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Commonly used Financial Terms and 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
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
NTSB: National Transportation Safety Board
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

LETTER TO SHAREHOLDERS

To our shareholders and loyal supporters;

We are pleased to report that our revenues improved in the First Quarter of 2015, assisting our push to profitability. This is the best revenue quarter in FLYHT's history at $2.57 million and we are close to breakeven. Accounts receivable grew significantly due to the timing and mix of sales; modified working capital decreased marginally from last quarter and total expenses remain in line. As we grow sales and continue to manage costs, we will see improvements in the modified working capital.

Chinese airlines continue to delay installs, awaiting certain guarantees by the Civil Aviation Administration of China ("CAAC") about the longevity of the Iridium license in China. Our team has invested significant time with prospects in China and continue to receive assurances that FLYHT is in a favourable position to provide satellite communication solutions when the necessary Iridium assurances are received by the airlines. Representatives from the major carriers admit that once they are ready, the installs must be completed very quickly to comply with deadlines. The manufacturing and kitting suppliers we have in place will adequately fulfill the large demand when it arrives.

To clarify any confusion, the opinion in the public market that FLYHT is positioning as a purely tracking company because of the time, energy and money we have invested in the workings of ICAO, IATA, and the NTSB since MH370, is incorrect. While AFIRS is certainly the most flexible tool available for airlines to track aircraft, the value proposition to our customers is visibility on assets and how they are being operated in addition to early warning systems on issues that can affect profitability and operational efficiencies. FLYHT will continue its involvement with the regulatory bodies to move them past tracking, to real-time data accessibility with focus still placed on our core purpose, to create operational cost savings and efficiencies for our customers.

The sales opportunities continue to grow and we are excited about our prospects over the next few quarters now that the focus on the initial tracking recommendations has diminished and customers seem more willing to listen to how AFIRS can help them save money and operate a safe airline through better visibility on their assets and operations.

We thank the shareholders for their continued faith, the staff for their dedication and our customers for their valuable contributions to updates to our applications suite.

Yours truly,

Bill Tempany, Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis ("MD&A") is as of May 12, 2015 and should be read in conjunction with the condensed consolidated interim financial statements of FLYHT Aerospace Solutions Ltd. ("FLYHT" or the "Company") as at and for the three months ended March 31, 2015 and 2014 and the accompanying notes. Additional information with respect to FLYHT can be found on SEDAR at www.sedar.com. The Company has prepared its March 31, 2015 condensed consolidated interim financial statements and the notes thereto in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the condensed consolidated interim financial statements of the Company as at and for the year ended December 31, 2014.

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 occasionally uses certain non-GAAP financial measures, such as working capital, modified working capital, 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. 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 forward-looking 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, 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 only available 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 table below). 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 FDR data 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 over the next several years be filing the necessary documents 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 later 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 an average international and domestic growth of 6.1% in 2015 compared to 2014[1]. Global freight traffic (measured in Freight Tonne Kilometers or "FTK") increased by 5.3% over the first quarter of 2014.[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 freight shipping, suggesting growth in the industry.

Large commercial aircraft manufacturers recorded solid numbers for deliveries and new orders in the first quarter of 2015. Boeing delivered 184 aircraft in Q1 2015, a 14% increase from the previous year's first quarter.[3] Airbus delivered 134 aircraft, a decrease of 7 from the first quarter of 2014.[4] Embraer delivered a total of 20 commercial and 12 executive jets in the first quarter of 2015, an increase of six commercial jets though a decrease of 8 executive jets from 2014.[5] Bombardier delivered 45 business jets in the first quarter versus 43 for the same quarter of 201,4 though saw an increase of 10 commercial aircraft to 23 from 13 in the first quarter of 2014.[6]

The General Aviation Manufacturers Association ("GAMA") reported that numbers in worldwide general aviation airplane shipments decreased 15.2% to 441 shipments in 2015 from 520 in the same period of 2014.[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, it was generally believed that a commercial airplane could not 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 Q1 2015 had a positive impact on the Company's revenue and income compared to Q1 2014. 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.

[1] http://www.iata.org/pressroom/pr/Pages/2015-05-06-01.aspx
[2] http://www.iata.org/pressroom/pr/Pages/2015-05-05-01.aspx
[3] http://boeing.mediaroom.com/2015-04-22-Boeing-Reports-Strong-First-Quarter-Results
[4] http://www.reuters.com/article/2015/04/07/us-aircraft-orders-idUSKBN0MY0U220150407
[5] http://www.embraer.com/en-US/ImprensaEventos/Press-releases/noticias/Pages/Embraer-entrega-20-jatos-comerciais-e-12-executivos-no-1o-trimestre-de-2015.aspx
[6] http://www.bombardier.com/en/media-centre/newsList/details.bombardier-inc-20150407bombardierannouncesfinancialresultsforthe.bombardiercom.html
[7] http://www.gama.aero/media-center/press-releases/content/gama-publishes-2015-first-quarter-aircraft-shipment-data

Results of Operations – three months ended March 31, 2015 and 2014

Selected Results

	Q1 2015 $	Q4 2014 $	Q3 2014 $	Q2 2014 $
Assets	7,752,509	8,275,546	8,968,372	10,281,225
Non-current financial liabilities	5,545,209	5,506,179	2,728,769	2,433,044
Revenue	2,569,908	2,218,681	1,808,794	1,505,767
Loss	60,414	1,305,712	1,653,147	46,925
(Income) loss before R&D	(676,871)	532,986	805,028	1,324,716
Loss per share (basic & fully diluted)	0.00	0.01	0.01	0.00
	Q1 2014 $	**Q4 2013 $**	**Q3 2013 $**	**Q2 2013 $**
Assets	9,734,630	8,435,962	4,192,184	4,414,400
Non-current financial liabilities	2,262,812	1,992,028	5,398,965	5,096,611
Revenue	1,348,786	1,936,757	2,183,037	2,163,434
Loss	1,273,101	1,438,795	615,950	1,038,283
Loss before R&D	838,406	745,444	174,987	680,936
Loss per share (basic & fully diluted)	0.01	0.01	0.00	0.01

Financial Position

Liquidity and Capital Resource

The Company's cash at March 31, 2015 decreased to $2,507,234 from $3,910,962 at December 31, 2014. 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 March 31, 2015, the Company had positive working capital of $3,087,238 compared to $3,009,025 as of December 31, 2014, an improvement of $78,213. 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 March 31, 2015 would be positive $5,093,967 compared to positive $5,283,775 at December 31, 2014.

The Company funded Q1 2015 operations primarily through cash received from sales. The Company believes that if funding is required to meet cash flow requirements throughout 2015, it will be raised either through debt or equity instruments.

	March 31, 2015 $	December 31, 2014 $	Variance $
Cash and cash equivalents	2,507,234	3,910,962	(1,403,728)
Restricted cash	250,000	250,000	-
Trade and other receivables	1,745,569	959,786	785,783
Deposits and prepaid expenses	221,227	183,750	37,477
Inventory	1,905,202	1,917,249	(12,047)
Trade payables and accrued liabilities	(1,800,151)	(2,129,622)	329,471
Unearned revenue	(1,155,026)	(1,484,345)	329,319
Loans and borrowings	(560,382)	(572,782)	12,400
Finance lease obligations	(26,435)	(25,973)	(462)
Working capital	**3,087,238**	**3,009,025**	**78,213**
Unearned revenue	1,155,026	1,484,345	(329,319)
Customer deposits	851,703	790,405	61,298
Modified working capital	**5,093,967**	**5,283,775**	**(189,808)**

In the first quarter of 2015, conversions of 62,000 convertible debentures at $0.40 resulted in the Company issuing a total of 155,000 shares.

As at May 12, 2015, FLYHT's issued and outstanding share capital was 172,435,135.

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.

March 31, 2015	**< 2 months $**	**2-12 months $**	**1-2 years $**	**2-5 years $**	**> 5 years $**	**Total $**
Accounts payable	688,962	2,692	-	-	-	691,654
Compensation and statutory deductions	103,563	109,893	-	-	-	213,456
Finance lease liabilities	4,970	24,849	28,880	9,278	-	67,977
Accrued liabilities	-	26,500	-	16,839	-	43,339
Loans and borrowings	78,462	481,920	5,658,381	366,517	1,370,247	7,955,527
Total	**875,957**	**645,854**	**5,687,261**	**392,634**	**1,370,247**	**8,971,953**

Under SADI, the Company has, at March 31, 2015, an outstanding repayable balance of $1,899,278, unchanged from $1,899,278 at December 31, 2014. 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 May 12, 2015.

During the first quarter of 2015, FLYHT did not enter into any new lease agreements. Minimum lease payments are as follows. The imputed interest included in the payments is $4,852 (December 31, 2014 - $5,980) leaving a total obligation of $63,125 (December 31, 2014 - $69,451).

Year	Total $
2015	22,365
2016	29,818
2017	15,794
Total	**67,977**

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 reported as an accrued liability upon receipt. When the installation kit is shipped, 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 AFIRS sales revenue is recognized.

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

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 March 31, 2015 and 2014. Payment was received for 3 installation kits in the first quarter of 2015 compared to 35 received in the first quarter of 2014.

	Q1 2015 $	Q1 2014 $	Variance $
Opening balance	790,405	551,227	239,178
Payments received	475,698	1,315,468	(839,770)
Moved to unearned revenue	(414,400)	(561,974)	147,574
Balance, March 31	**851,703**	**1,304,721**	**(453,018)**

Unearned Revenue

The chart below outlines the movement in the Company's unearned revenue throughout the periods ending March 31, 2015 and 2014. Revenue was recognized for 15 installation kits in 2015's first quarter compared to 8 in the first quarter of 2014. In the first quarter of 2015, 20.8% of the unearned revenue balance at December 31, 2014 was recognized as earned revenue (Q1 2014: 22.6%).

	Q1 2015 $	Q1 2014 $	Variance $
Opening balance	1,675,746	1,103,834	571,912
AFIRS sales: shipped, not accepted	414,400	561,974	(147,574)
Voice and data services: prepaid	-	76,123	(76,123)
AFIRS sales: revenue recognized	(739,729)	(346,815)	(392,914)
Voice and data services: revenue recognized	(3,990)	(30,240)	26,250
Balance, March 31	**1,346,427**	**1,364,876**	**(18,449)**

Comprehensive Income

Revenue

In 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, modems with related manufacturing license fee, and Underfloor Stowage Units. **Services** revenue includes technical services, repairs and expertise the Company offers including the installation of operations control centres.

Revenue sources

	Q1 2015 $	Q1 2014 $	Variance $
Voice and data services	963,560	921,116	42,444
AFIRS sales	750,531	377,758	372,773
Parts sales	840,362	3,353	837,009
Services	15,455	46,559	(31,104)
Total	**2,569,908**	**1,348,786**	**1,221,122**

Overall, total revenue increased 90.5% from $1,348,786 in Q1 2014 to $2,569,908 in Q1 2015.

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 37.5% of revenue in Q1 2015 (Q1 2014: 68.3%). The decreased percentage is largely due to the increases in AFIRS sales and Parts sales, which significantly exceed the relative increase in Voice and data services compared to Q1 2014. Recurring revenue from FLYHT's existing client base is expected to continue to expand throughout 2015 and future years.

AFIRS sales increased in Q1 2015 as compared to Q1 2014 due to an increased number of installation kits meeting the requirements for revenue recognition. Revenue was recognized for 15 installation kits in Q1 2015 compared to 8 in Q1 2014.

Parts sales increased as a result of large orders of modems with related license fees in Q1 2015. There were no similar parts sales in Q1 2014.

Services revenue decreased in the quarter due to a lower number of technical services supplied in Q1 2015.

Geographical sources of revenue

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

	Q1 2015 $	Q1 2014 $	Q1 2015 %	Q1 2014 %
North America	1,697,843	635,444	66.1	47.1
South/Central America	63,784	81,223	2.5	6.0
Africa/Middle East	270,404	343,081	10.5	25.4
Europe	143,710	35,922	5.6	2.7
Australasia	159,598	230,584	6.2	17.1
Asia	234,569	22,532	9.1	1.7
Total	**2,569,908**	**1,348,786**	**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 first quarter of 2015 was 24.8% compared to 32.6% in 2014's first quarter. 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:

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Gross margin %	75.2	61.7	63.7	59.8	67.4	60.4	56.9	54.5
Cost of sales %	24.8	38.3	36.3	40.2	32.6	39.6	43.1	45.5

Distribution Expenses

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

Major Category	Q1 2015 $	Q1 2014 $	Variance $
Salaries and benefits	294,863	443,460	(148,597)
Contract labour	142,386	95,671	46,715
Office	73,010	78,563	(5,553)
Travel	115,378	120,057	(4,679)
Equipment and maintenance	7,128	9,240	(2,112)
Depreciation	6,054	8,478	(2,424)
Marketing	41,421	4,315	37,106
Other	83,534	20,266	63,268
Total	**763,774**	**780,050**	**(16,276)**

Salaries and benefits decreased in the quarter mainly due to an increased allocation from Distribution cost centres to R&D.

Contract labour increased compared with the same period last year, due to increases in sales representation throughout the later portion of 2014 into Q1 2015, together with recruitment fees paid to seek additional sales staff.

Marketing expense has increased mainly due to the creation in Q1 2015 of a video communicating the FLYHTStream product.

Other expenses increased in the quarter due to an increase in bad debt reserve.

Administration Expenses (Recovery)

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

Major Category	Q1 2015 $	Q1 2014 $	Variance $
Salaries and benefits	298,839	309,828	(10,989)
Share based compensation	-	14,727	(14,727)
Contract labour	38,583	17,620	20,963
Office	59,280	84,548	(25,268)
Legal fees	6,644	15,587	(8,943)
Audit and accounting	(6,850)	34,000	(40,850)
Investor relations	79,852	70,814	9,038
Brokerage, stock exchange, and transfer agent fees	18,868	20,472	(1,604)
Travel	35,695	44,982	(9,287)
Equipment and maintenance	16,566	22,123	(5,557)
Depreciation	2,677	4,465	(1,788)
Other	1,317	24,178	(22,861)
Total	**551,471**	**663,344**	**(111,873)**

Salaries and benefits decreased in the quarter mainly due to an increased allocation from Administration cost centres to R&D.

Share based compensation decreased compared with the same period last year, due to a one-time option grant in Q1 2014 compared to no option grants in Q1 2015.

Contract labour increased compared to Q1 2014 as a result of fees for professional services

Office expenses decreased throughout Q1 2015 compared to Q1 2014 mainly as the result of decreased rent with the move to the new office space and a change in rent allocation, together with a training expense in Q1 2014 that did not recur in Q1 2015.

Audit and accounting decreases are mainly due to service adjustments.

Other decreases were related to an office move in 2014.

Research, Development and Certification Engineering Expenses (Recovery)

Major Category	Q1 2015 $	Q1 2014 $	Variance $
Salaries and benefits	552,638	371,551	181,087
Contract labour	67,697	47,544	20,153
Office	61,222	34,156	27,066
Travel	19,720	7,656	12,064
Equipment and maintenance	13,547	6,652	6,895
Components	17,574	(44,185)	61,759
Depreciation	4,887	6,461	(1,574)
Other	-	4,860	(4,860)
Total	**737,285**	**434,695**	**302,590**

Salaries and benefits expended in this category increased from Q1 2014 to Q1 2015, partially due to time committed to increased revenue sources for UpTime applications and enhancements to FLYHTStream. People costs will fluctuate with customer and industry demands for new products and enhancements of existing products.

Contract labour has increased mainly due to certification engineering on a time-sensitive STC, and software development.

Office expenses increased as a result of increased costs on patent application and increased rent allocation.

Travel expenses increased on travel for hardware testing and test flights.

Components requirements were higher in Q1 2015 than in Q1 2014 due to the recovery in Q1 2014 when remaining Dragon parts were moved to production, compared to the requirement for test parts for development in Q1 2015.

Net Finance Costs

Major Category	Q1 2015 $	Q1 2014 $	Variance $
Net foreign exchange (gain) loss	(270,646)	50,428	(321,074)
Bank service charges	4,916	6,621	(1,705)
Interest expense	1,152	771	381
Government grant accretion	40,247	36,612	3,635
Debenture interest and accretion	161,589	187,899	(26,310)
Debenture cost amortization	2,633	21,347	(18,714)
Net finance costs	**(60,109)**	**303,678**	**(363,787)**

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.

Debenture interest and accretion decreases are the result of decreased interest accretion on the debentures issued in December 2010 where units have been converted throughout 2014 and Q1 2015.

Debenture cost amortization decreased as the costs on the debentures issued in December 2010 had been fully expensed by the original maturity date in December 2014, leaving amortization of costs only on the debentures issued in April and May 2013.

Net Loss

Major Category	Q1 2015 $	Q1 2014 $	Variance $
Net loss	60,414	1,273,101	(1,212,687)
Net (income) loss without R&D	(676,871)	838,406	(1,515,277)

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 Q1 2015, 98.1% of the Company's gross sales were made in U.S. dollars, compared to 96.2% in Q1 2014. 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 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 condensed consolidated interim financial statements.

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 and 2015 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.

Auditors' Involvement

National Instrument 51-102, Part 4, subsection 4.3 (3) (a), requires that if an auditor has not performed a review of the condensed consolidated interim financial statements there must be an accompanying notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The auditors of FLYHT Aerospace Solutions Ltd. have not performed a review of the condensed consolidated interim financial statements for the three month periods ended March 31, 2015 and March 31, 2014.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	March 31, 2015	December 31, 2014
	$	$
Assets		
Current assets		
Cash and cash equivalents	2,507,234	3,910,962
Restricted cash	250,000	250,000
Trade and other receivables	1,745,569	959,786
Deposits and prepaid expenses	221,227	183,750
Inventory	1,905,202	1,917,249
Total current assets	6,629,232	7,221,747
Non-current assets		
Property and equipment	205,249	217,186
Intangible assets	34,992	34,992
Inventory	883,036	801,621
Total non-current assets	1,123,277	1,053,799
Total assets	**7,752,509**	**8,275,546**
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	1,800,151	2,129,622
Unearned revenue	1,155,026	1,484,345
Loans and borrowings	560,382	572,782
Finance lease obligations	26,435	25,973
Total current liabilities	3,541,994	4,212,722
Non-current liabilities		
Unearned revenue	191,401	191,401
Loans and borrowings	5,370,613	5,462,701
Finance lease obligations	36,690	43,478
Provisions	233,357	235,019
Total non-current liabilities	5,832,061	5,932,599
Total liabilities	**9,374,055**	**10,145,321**
Equity (deficiency)		
Share capital	53,558,969	53,496,969
Convertible debenture - equity feature	209,376	220,700
Warrants	317,772	163,771
Contributed surplus	7,969,109	7,865,143
Deficit	(63,676,772)	(63,616,358)
Total (deficiency)	(1,621,546)	(1,869,775)
Total liabilities and deficit	**7,752,509**	**8,275,546**

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

On behalf of the board

"Signed"
Director – Douglas Marlin

"Signed"
Director – Paul Takalo

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	For the three months ended March 31	
	2015 **$**	**2014** **$**
Revenue (note 6)	2,569,908	1,348,786
Cost of sales	637,901	440,043
Gross profit	1,932,007	908,743
Distribution expenses	763,774	780,050
Administration expenses	551,471	663,344
Research, development and certification engineering expenses	737,285	434,695
Results from operating activities	(120,523)	(969,346)
Finance (income)	(270,646)	-
Finance costs	210,537	303,678
Net finance costs	60,109	(303,678)
Loss before income tax	(60,414)	(1,273,024)
Income tax expense	-	77
Loss for the period	(60,414)	(1,273,101)
Total comprehensive loss for the period	(60,414)	(1,273,101)
Loss per share		
Basic and diluted loss per share (note 5)	(0.00)	(0.01)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)

For the three months ended March 31, 2015 and 2014

	Share Capital	Convertible Debenture	Warrants	Contributed Surplus	Deficit	Total Equity (Deficit)
	$	$	$	$	$	$
Balance at December 31, 2014	53,496,969	220,700	163,771	7,865,143	(63,616,358)	(1,869,775)
Loss for the period	-	-	-	-	(60,414)	(60,414)
Total comprehensive loss for the period	-	-	-	-	(60,414)	(60,414)
Contributions by and distributions to owners						
Issue of common shares	62,000	(11,324)	-	103,966	-	154,642
Extension of debenture warrants	-	-	154,001	-	-	154,001
Total contributions by and distributions to owners	62,000	(11,324)	154,001	103,966	-	308,643
Balance at March 31, 2015	53,558,969	209,376	317,772	7,969,109	(63,676,772)	(1,621,546)
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	-	-	-	-	(1,273,101)	(1,273,101)
Total comprehensive loss for the period	-	-	-	-	(1,273,101)	(1,273,101)
Contributions by and distributions to owners						
Issue of common shares	33,000	(6,041)	-	55,541	-	82,500
Share-based payment transactions	-	-	-	14,727	-	14,727
Share options exercised	250,783	-	-	(71,158)	-	179,625
Warrants exercised	1,407,761	-	(332,599)	-	-	1,075,162
Total contributions by and distributions to owners	1,691,544	(6,041)	(332,599)	(890)	-	1,352,014
Balance at March 31, 2014	50,009,547	225,277	725,053	7,457,203	(60,610,574)	(2,193,494)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the three months ended March 31	
	2015 $	2014 $
Cash flows used in operating activities		
Loss for the period	(60,414)	(1,273,101)
Depreciation – PPE	13,618	19,404
Convertible debenture accretion	161,589	187,898
Amortization of debenture issue costs	2,633	21,347
Government grant accretion	40,247	36,612
Equity-settled share-based payment transactions	-	14,727
Change in inventories	(69,368)	(244,429)
Change in trade and other receivable	(826,310)	(245,331)
Change in prepayments	(37,477)	(113,657)
Change in trade and other payables	(320,866)	697,201
Change in provisions	(1,662)	19,565
Change in unearned revenue	(329,319)	261,042
Unrealized foreign exchange	(230,583)	53,756
Interest expense	1,152	771
Interest paid	(1,465)	(1,217)
Income tax expense	-	77
Income tax paid	-	(954)
Net cash used in operating activities	(1,658,225)	(566,289)
Cash flows from investing activities		
Acquisitions of property and equipment	(1,681)	(51,916)
Net cash used in investing activities	(1,681)	(51,916)
Cash flows from (used in) financing activities		
Proceeds from exercise of share options and warrants	-	1,254,787
(Payment) acquisition of finance lease liabilities	(6,326)	21,143
Net cash (used in) from financing activities	(6,326)	1,275,930
Net (decrease) increase in cash and cash equivalents	(1,666,232)	657,725
Cash and cash equivalents, beginning	3,910,962	5,184,803
Effect of exchange rate fluctuations on cash held	262,504	5,050
Cash and cash equivalents, ending	2,507,234	5,847,578

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2015 and 2014 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, and Abu Dhabi.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2014. These condensed consolidated interim financial statements were approved by the Board of Directors on May 12, 2015.

(b) Basis of measurement

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

(d) Going concern

These condensed consolidated interim 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 March 31, 2015, the Company had positive working capital of $3,087,238, a deficit of $63,676,772, a net loss of $60,414 and negative cash flow used in operating activities of $1,658,225 for the quarter.

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 condensed consolidated interim 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.

3. Significant accounting policies

The accounting policies set out in FLYHT's December 31, 2014 consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. These accounting policies have also been applied consistently by FLYHT's subsidiaries.

4. 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, 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.

5. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share for the three months ended March 31, 2015 was based on a weighted average number of common shares outstanding of 172,421,820 (March 31, 2014: 159,743,851). The calculation of diluted earnings per share did not include stock options of 7,802,250 (2014: 7,154,000), warrants of 3,948,750 (2014: 11,568,587) and convertible debentures of 6,847,500 (2014: 7,691,250) because they would be anti-dilutive.

6. Operating segments

The Company has one operating segment.

Geographical Information

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

	For the three months ended March 31	
	2015 **$**	**2014** **$**
North America	1,697,843	635,444
South / Central America	63,784	81,223
Africa / Middle East	270,404	343,081
Europe	143,710	35,922
Australasia	159,598	230,584
Asia	234,569	22,532
Total	**2,569,908**	**1,348,786**

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

Major customers

Revenues from the three largest customers represent approximately 56.4% of the Company's total revenues for the three months ended March 31, 2015 (2014: 31.0%).

CORPORATE INFORMATION

Registrar and Transfer Agent

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Share Listing

Shares are traded on the TSX Venture Exchange and the OTCQX Marketplace
Ticker Symbols: TSX: FLY and OTCQX: FLYLF

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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

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