

# 2023 ANNUAL REPORT

FLYHT AEROSPACE SOLUTIONS LTD.

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**MANAGEMENT DISCUSSION  
& ANALYSIS**



# LETTER TO SHAREHOLDERS



**FLYHT has been a 25-year journey of progress, and no year has better exemplified this than 2023.** While at times it feels like the aviation industry moves at a glacial speed, it is also remarkable how, collectively – our company, airlines, the meteorological agencies – have advanced over the past year. I know that my dear friend Bill Tempany and former FLYHT CEO would be proud of how the entire FLYHT team has carried on the mission, and he would be thrilled that FLYHT’s 5G aviation solutions are taking to the skies in 2024.

**Thank you for supporting us throughout this journey.** I’m excited to report that our progress is accelerating, with increasingly rapid results.

- **We are now in the process of installing the AFIRS Edge™ with our first customer in the commercial airline industry.** Less than two months after being issued a Supplemental Type Certificate (“STC”) for the flange version on Airbus A320 aircraft, the Edge is now being installed on our customer’s fleet, where we will operate WQAR functions through the 5G network. This is a significant milestone achievement in our multi-year effort to bring to market the industry’s first 5G wireless data communication device. Additionally, we are underway with efforts to familiarize this STC into other jurisdictions, including Europe and the US.
- **AFIRS Edge+ (4MCU version) in the field.** We received the first Edge+ units from our manufacturing partner last month, and along with having the flange version Transport Canada A320 STC in hand, we have accelerated our Edge+ commercialization efforts. Whereas in January/February our enthusiastic team could talk about the Edge+, we now are in the field, presenting physical Edge+ units to prospective airlines and demonstrating installation in their aircraft with live data transmission capability. This is making all the difference, as for the first time in the history of WQARs, there is credible competition for the long-time incumbent 2G/3G/LTE WQAR market.
- **Continued interest in AFIRS 228.** The request by our long-term OEM partner to undertake engineering and design work on the technology that it licenses from us as part of its Airbus line fit satcom program is the surest indicator that this program remains strong, and that this high margin licensing revenue will continue well into the future. To date this program has resulted in shipment of more than 3,200 units over a 12-year span.
- **More budget received for U.S. weather.** We remain on track to deploy the FLYHT-WVSS-II sensor, Edge, and Certus-100 satcom solution with a North American airline by the end of this year. As expected, NOAA was also allocated FY2024 budget to purchase additional FLYHT-WVSS-II, Edge and satcom systems. We are now focused on securing and increasing funding for FY2025-2028 through the U.S. National Weather Service Aircraft Based Observation Program.
- **Exciting pipeline and innovation in Europe.** I continue to be very enthusiastic about growth and innovation at CrossConsense, our wholly owned European division. Their work and reputation have expanded the pipeline to include significant data migration projects and new development opportunities. Meanwhile, we have begun to roll out several exciting new extensions to their popular Aircraft Fleet View app, which is already in use by more than 3,000 users. The latest enhancement is to replace the need for unofficial communication channels like WhatsApp. The team already has multiple new customers lined up, who are participating in feature development.

**Financially, we finished 2023 with performance in-line with our expectations.** We reported over \$20 million in revenue for the full year driven by record SaaS revenue of nearly \$10.7 million, or a 31% increase as compared to 2022. This included an all-time quarterly high of over \$2.8 million in SaaS revenue for the fourth quarter of 2023. As expected, we did not report positive EBITDA in 2023 due to the absence of the large, high margin OEM licensing order that did not repeat this year, but also because we are reinvesting the positive cashflow from our self-sustaining businesses, built on previous generations of hardware with long useful lives, to fund the R&D and commercialization of our emerging businesses. From a balance sheet perspective, we enter 2024 with a higher cash plus GIC balance on December 31, 2023 as compared to our ending cash balance at Q3 2023, and we are poised to capitalize on our 2023 investments in the year ahead.

We’re now headed into springtime with multiple opportunities for growth across our 5G aviation solutions and weather businesses, including opportunities to provide services in the emerging field of contrail detection and avoidance. I look forward to updating you on our continued progress throughout the year, and as always, I would like to thank all our loyal shareholders for their continued support.

Yours truly,

Kent Jacobs  
President and Interim CEO

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## Management Discussion & Analysis

This management discussion and analysis (“MD&A”) is as of April 24, 2024 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, 2023 and 2022 and the accompanying notes. Additional information with respect to FLYHT can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Company has prepared its December 31, 2023 consolidated financial statements and the notes thereto in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company’s material 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 IFRS or Generally Accepted Accounting Principles (“GAAP”). It also occasionally uses certain non-GAAP financial measures, such as working capital, non-current financial liabilities and earnings before interest, income tax, depreciation and amortization (“EBITDA”). FLYHT defines working capital as current assets less current liabilities. Non-current financial liabilities include the non-current portion of loans and borrowings and lease liabilities. EBITDA is defined as income for the period, before net finance costs, income tax, depreciation and amortization of assets. These non-GAAP financial measures are always clearly indicated. Working capital can be used to assess a company’s liquidity, operational efficiency, and short-term financial health. Non-current financial liabilities can be used to assess the solvency and leverage of a company. EBITDA can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. 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 performance and profitability. 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 and the letter to the shareholders accompanying this discussion includes certain statements that may be deemed “forward-looking statements” or “forward-looking information” 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, research and development (“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, litigation matters, and sales order backlog 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 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.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made and are founded on the basis of expectations, assumptions and hypotheses made by the Company, including, but not limited to, the following: projected costs, future plans, projected revenues, objectives of management for future operations, trends in the airline industry, the global financial outlook, including, but not limited to, the effects of the COVID-19 pandemic, expanding markets, foreign exchange rate outlooks, sales projections, cost increases and/or decreases as related to marketing, R&D, administration expenses. The forward-looking information included in this discussion and the letter to the shareholders accompanying this discussion has been prepared using assumptions (all of which are supportable and reflect the Company’s planned courses of action for the next 12 months) as to the most probable set of economic conditions. Such assumptions are consistent with the purpose of the information but are not necessarily the most probable in management’s judgement. 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, government activities, volatility within the aviation market for FLYHT’s products and services, factors that result in significant and prolonged disruption of air travel worldwide, global military activity, market prices, availability of satellite communication, foreign exchange rates, continued availability of capital and financing, and general economic, market, or business conditions in the aviation industry, including, but not limited to, the effects of the COVID-19 pandemic, 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. The forward-looking information has been provided to the readers to assist in assessing the impact of the information disclosed herein on the Company and such forward-looking information may not be appropriate for other purposes. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

## **FLYHT Overview**

FLYHT provides airlines with Actionable Intelligence to transform operational insight into immediate, quantifiable actions, and delivers industry leading solutions to improve aviation safety, efficiency, and profitability. This unique capability is driven by a suite of patented aircraft certified hardware products, which comprise FLYHT's Automated Flight Information Reporting System ("AFIRS™"). Solutions include an aircraft satcom/interface device that enables cockpit voice communications, transmission of aircraft data both while in-flight via satellite and post-flight via 5G, real-time aircraft state and fleet status analysis, and preventative maintenance solutions. FLYHT's hardware products can also be interfaced with FLYHT's proprietary relative humidity sensors to deliver airborne weather and humidity data in real-time.

FLYHT is headquartered in Calgary, Canada, and is an AS9100 Quality registered company. For more information, visit [www.flyht.com](http://www.flyht.com).

### **1. Actionable Intelligence Solutions**

Actionable Intelligence solutions maximize customers' operational efficiency and safety with reliable, easy to use, flexible, and cost-effective solutions. This industry differentiator provides not only economic value but also opportunities for customers and FLYHT to meet their sustainability goals. FLYHT aims to leave no data stranded and no related opportunity to take corrective or opportunistic action left unrealized.

Cloud-based enterprise servers complement AFIRS data with external airline, airport, and other industry data sources. These external sources have many components aiding in aircraft operations, maintenance, and ground operations as well as flight planning and scheduling. The consolidation of this diverse collection of information provides the data for artificial intelligence and machine learning systems to run against.

FLYHT continues to add to its suite of Actionable Intelligence solutions. The service offering provides FLYHT with a recurring, Software as a Service ("SaaS") revenue stream that is incremental to its existing revenue sources. While every Actionable Intelligence solution will thrive with real-time inputs from an AFIRS unit, the broader approach to incorporate third-party inputs allows FLYHT's solutions to be leveraged in any airline environment.

#### **WQAR**

As 2G/3G/LTE cellular networks around the world are decommissioned, FLYHT's AFIRS Edge provides a seamless transition to Wireless Quick Access Recorder ("WQAR") post-flight file transmission over existing 3G/4G and new 5G networks. 5G networks allow for a significant increase in data volumes transmitted from an aircraft, enabling additional Actionable Intelligence solutions to be implemented. As these become available FLYHT can provide immediate access for airlines to maximize benefits of the new networks, setting up airlines for long term success. WQAR data forms one of the foundations for the Actionable Intelligence solutions that FLYHT provides.

Opportunities to enhance airline operational control and decrease airline costs are derived from Quick Access Recorder ("QAR") recordings and by expanding data harvesting that is now fully under airline control.

#### **Aircraft Interface Device**

AFIRS Edge provides Aircraft Interface Device ("AID") functions to supply an aircraft's own data to the flight deck for Electronic Flight Bag ("EFB", usually via iPad) applications. Information from a variety of systems connected to the AFIRS Edge can now be forwarded to the flight deck for use in applications accessed by the flight crew. Any application running on an EFB will have access to the data from the Edge, whether the application is developed by FLYHT or by a third party.

These AFIRS Edge functions are easily and remotely configurable. As airlines update or add new applications to run on the flight deck, the need for new aircraft data will arise. Amazon Web Services ("AWS") technologies incorporated into the design of the Edge allow ground personnel to remotely update the AID functions of an Edge and in turn, provide additional aircraft data to the flight deck.

### ***FleetWatch***

Situational awareness remains a primary objective for any Operations Control Centre (“OCC”) and airline staff. FLYHT’s FleetWatch provides a fleet wide situational awareness platform in a form configurable to be most relevant to the role of the receiver. In addition to taking direct inputs from any AFIRS unit, FleetWatch can incorporate third-party inputs as part of its situational display.

Unlike traditional Aircraft Situational Displays (“ASD”), FleetWatch incorporates the concept of Actionable Intelligence into its design. The primary user interface is not only a source of real-time aircraft position and state but is also a tool for OCCs to receive Actionable Intelligence information. Information relevant to the efficient operation of an airline is directly displayed in FleetWatch.

Airline operations that need immediate attention or that require direct action from staff can be displayed on the FleetWatch main page. By providing this real-time display with meaningful information, airline staff are immediately notified when situations requiring their attention are identified. From diagnosing a fault while airborne to instructing ground crews of unnecessary Auxiliary Power Unit (“APU”) operation, FleetWatch is a primary conveyor of Actionable Intelligence to our airline customers.

### ***FuelSense***

Fuel usage and emissions are a significant concern for all airlines. FLYHT’s FuelSense application provides valuable insight into an airline’s management and usage of fuel. By providing targeted guidance through impactful decision support, airline operational change can be achieved. FuelSense incorporates the concept of Actionable Intelligence to provide meaningful information to an operator. Fuel optimization includes minimizing APU usage and optimizing dispatch, pilot and ground personnel actions.

### ***ClearPort***

Better asset utilization has a direct impact on airlines’ long-term sustainability. ClearPort provides Actionable Intelligence to support optimizing ground operations. By providing a clear view into the status of an aircraft in a turn, ClearPort allows an airline to move beyond reporting of operational delays into a state where Actionable Intelligence can be used to manage and avoid situations that affect operations. ClearPort draws attention to opportunities for personnel to better manage aircraft turns and immediately mitigate risks of late departures.

ClearPort allows an airline to minimize the time an aircraft is on the ground. Monitoring and reporting of events that are known to occur while an aircraft prepares for the next flight will allow ground crews to have the aircraft ready on time for the next flight. Events such as passenger and cargo doors opening and closing, fuel being uploaded, passengers boarding are actively tracked and reported so dispatch crews can monitor the state of a turn and inject corrective action as needed.

## ***2. Airborne Hardware***

### ***AFIRS Edge™***

The Edge is FLYHT’s latest addition to the AFIRS hardware family and is delivered as an extensible multifunction avionics platform. The Edge’s modular functionality allows different configurations and features to be implemented as an airline needs them. Communication options include 5G/4G/3G cellular capabilities (the first 5G solution on the market), a modular Iridium Certus satcom, Bluetooth and WiFi capabilities, and the ability to incorporate with existing onboard broadband solutions.

AFIRS Edge turn-key applications include the ability to transmit recorded aircraft data over 5G networks, provide flight deck applications with data from a variety of aircraft systems, bulk aircraft system data acquisition and recording, and AFIRS analytics through our enhanced, customized aircraft health monitoring system.

The WQAR function of the AFIRS Edge provides an industry-first move towards 5G transmission of aircraft recorded black box data. By using the most efficient method of data transfer off an aircraft post-flight, data volumes can be increased while the cost of transmission decreases. Being backwards compatible, the Edge can use 5G, 4G, or 3G networks, allowing for continuous service at airports around the world as older networks are decommissioned. With the future of 5G expected to last beyond 2040, the WQAR functions of the AFIRS Edge provide an opportunity for airlines to upgrade their avionics in one move that will serve them for many years.

The AFIRS Edge provides a configurable airborne platform for FLYHT to implement current and future Actionable Intelligence solutions for our customers and for the industry. There are two models within the AFIRS Edge product line: the AFIRS Edge, a smaller flange mounted device that requires a larger installation effort, and the Edge+, which can take advantage of 2G/3G/LTE existing installations on aircraft and allows for a simple 5 minute replacement. The two different Edge models provide airlines flexibility in how they wish to equip their aircraft and allows them to obtain common functions across diverse fleets.

### ***AFIRS***

AFIRS is a family of avionics installed on aircraft that captures and monitors hundreds of essential functions from the aircraft including data recorded by the black box. AFIRS transmits this information in real-time through various technologies to FLYHT’s servers, which use that data to power solutions such as displaying real-time fleet visualizations and providing fleet wide Actionable Intelligence.

In addition to data monitoring and flight tracking functions, the AFIRS family of products provides voice and text messaging capabilities in both safety services level security and regular satcom. The system supports many value-added solutions including tracking aircraft, fuel management and monitoring aircraft health as well as communicating weather observations that include relative humidity data captured by aircraft sensors. FLYHT's real-time, global coverage is enabled through the Iridium satellite network, providing service to customers anywhere on the planet.

FLYHT has received regulatory certification for installation of AFIRS on most commercial aircraft types and models (see systems approvals section). The AFIRS 228S features cater to the evolving needs of airlines by providing a customizable and flexible product. FLYHT's in-house aircraft certification group allows for easy addition of new data sources to the reporting capabilities of AFIRS.

Various certifications granted by Transport Canada to FLYHT for the AFIRS 228S allow for provision of safety services voice and data, and ensure customers are able to benefit from a more efficient route structure, reduced flight times, reduced fuel burns, and enhanced communications between Air Traffic Control and the aircraft.

FLYHT's systems and solutions provide enhanced global flight tracking capabilities that meet and exceed International Civil Aviation Organization's ("ICAO") Global Aeronautical Distress and Safety System ("GADSS") definitions for both normal and abnormal tracking.

### **FLYHT-WVSS-II (Water Vapour Sensing System)**

The FLYHT-WVSS-II is an aircraft sensor that detects and reports water vapour as relative humidity. This relative humidity value is incorporated with other aircraft weather information to generate Aircraft Based Observations ("ABOs") which can be fed to different weather models around the world.

By adding relative humidity to the standard weather data collected by various aircraft sensors during the ascent and descent phases, FLYHT significantly increases the value of aircraft weather data. A FLYHT-WVSS-II can be paired with an AFIRS 228 unit, or with an AFIRS Edge for transmission of weather sounding data in real-time.

FLYHT-WVSS-II enhanced ABOs are provided to government and private weather modeling agencies around the world using industry standardized and accepted formats for data transmission of weather data, thereby ensuring maximum benefit of this data to meteorological agencies around the world.

### **TAMDAR™**

FLYHT's Tropospheric Airborne Meteorological Data Reporting ("TAMDAR") system is a unique sensor device installed on aircraft that captures temperature, atmospheric pressure, winds aloft, icing, turbulence, and relative humidity. It bundles this information with Global Positioning System ("GPS") data and transmits the payload in real-time over satellite networks. TAMDAR provides real-time, high-quality atmospheric data collected from 100+ aircraft in North America, Asia, and Europe through continuous observations including all the metrics of radiosonde observations plus icing and turbulence.

Like the data traditionally gathered by weather balloons, the information collected by TAMDAR is used to update weather models. Unlike weather balloons, TAMDAR collects the data continuously and in real-time by transmitting "soundings" or batches of data to weather offices. The relative humidity data gathered throughout an aircraft's flight makes these weather soundings particularly valuable to meteorologists.

## **3. Communications**

FLYHT provides two-way text messaging to the flight deck through the multi-control display unit ("MCDU") or an iPad application. Updated crew assignments, crew repositioning, and tail swaps can be sent to the aircraft directly and in real-time. Real-time text messaging helps manage diversions due to weather, mechanical issues, or other unforeseen situations making it easy for the flight crew and dispatch personnel to keep each other updated on the progress of their flight or any required deviations from plan. Our latest auxiliary hardware products provide both power and connectivity to the devices used by pilots to create a secure, reliable platform for these systems.

The AFIRS voice solution uses the Iridium satellite constellation with global coverage and an onboard satellite phone to provide a rapid and reliable private satcom communication channel to the flight deck. When operating remote or oceanic flights, this allows for communication between dispatch and crew with no delay. The voice capability is particularly valuable when operating in remote regions with little to no VHF/HF coverage.

FLYHT's AFIRS 228 voice and data communication solutions provide alternatives to legacy systems that are unreliable, heavy, and expensive. Aircraft flying routes where ground-based VHF communication is not available are supported with communication between the flight deck and either company operation or to Air Traffic Control. The AFIRS Edge includes 5G/4G/3G cellular capabilities, a modular Iridium Certus satcom capability, and the flexibility to integrate with existing onboard broadband solutions.

## 4. MRO Services

CrossConsense supports the aviation industry with its expertise in the application and utilization of SWISS AviationSoftware's comprehensive Aircraft Maintenance and Engineering Operating System ("AMOS") software solution. With a profound understanding of airline maintenance operations and supporting Maintenance, Repair, and Overhaul ("MRO") products, the company offers a range of solutions in this market including maintenance, engineering, and logistics solutions, as well as data migration, business intelligence, customization, and consulting services. Core offerings include:

### AMOS Support

Offering a single point of contact for both 1st and 2nd level support, CrossConsense ensures seamless troubleshooting and assistance for clients. CrossConsense specializes in meticulously planned and executed data migration projects, ensuring smooth transitions for airline customers. The company also excels in reporting and business intelligence analytics, providing crucial insights to optimize operations.

### AMOS Hosting & Operation

Hosting and operation services offer a comprehensive solution for aviation businesses seeking a reliable, secure, and efficient platform to manage their software applications.

### Aircraft Fleet View

The Aircraft Fleet View application is a tool that provides real-time insights into an airline's fleet status. Displaying crucial information with precision and clarity, Aircraft Fleet View offers updates on Aircraft on Ground ("AOG") situations, delays, and other vital data without overwhelming the user.

### ACSIS

Recognizing the collective, untapped value of data stored in maintenance databases like AMOS, CrossConsense developed their Aircraft Condition and Status Information System ("ACSIS") product. This robust software empowers airlines, operators, MRO facilities, and OEMs to identify trends and report on conditions that optimizes aircraft utilization and enhances safety, thereby contributing to improved overall operational efficiency.

### AviationDW

Aviation Data Warehouse ("AviationDW") is a managed data warehouse solution tailored for seamless integration with backend systems such as AMOS. By simplifying Key Performance Indicator ("KPI") creation through comprehensive MRO system data analysis, AviationDW offers a strategic advantage in decision-making and performance optimization.

## SYSTEM APPROVALS

FLYHT is a Transport Canada Civil Aviation ("TCCA") Approved Manufacturer, a TCCA Approved Maintenance Organization ("AMO") and a European Aviation Safety Council ("EASA") and a Civil Aviation Administration of China ("CAAC") Part 145 Repair Facility. FLYHT is part of a select group of Canadian companies who are approved by TCCA as a Design Approval Organization ("DAO"). FLYHT's quality system is AS9100D and is certified with the registrar Intertek. The Company also holds STCs to make appropriate modifications, such as installing FLYHT's AFIRS, FlightLink and TAMDAR technologies to an aircraft's approved design. An STC is required when the original type design of the aircraft is altered or modified. In order to install FLYHT's hardware solutions on an aircraft, the type design is altered, and thus the STC certification process must be followed in whichever jurisdiction the aircraft operates. In addition to STCs, FLYHT also holds a Technical Standard Order ("TSO") certification for its AFIRS 228S product. A TSO is a minimum performance standard for a specific material, part, or appliance. In this case, AFIRS conforms to TSO-C159b, making it a conforming Next Generation Satellite System ("NGSS") using Iridium satcom.

FLYHT has STC approvals from TCCA (Canada), the FAA (United States), EASA (European Union), CAAC (China), ANAC (Brazil), DGAC (Mexico), SAAU (Ukraine) and ECAA (Egypt) for various aircraft models to address a variety of customer requirements.

FLYHT's expertise in airworthiness certification allowed the Company to join a select group of Canadian companies who are approved by TCCA as a 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 and revise its TSOs with minimal TCCA oversight. This lessens application wait times and reduces costs and reliance on contractors.

As a component of its DAO status, FLYHT employs the services of delegated engineers, allowing for the approval of changes to the structural or systems and electrical design aspects of an airworthiness certification. If an issue is encountered during the STC or TSO process, the delegate has the authority to approve necessary changes and continue the process without the involvement of an external party.



Further, for FLYHT-held Federal Aviation Administration (“FAA”) STCs, FLYHT has a Minor Change Agreement with the FAA which allows a range of changes to be made to the STC data package without direct involvement from the FAA.

The process to receive an STC can take considerable time, but in all cases, it starts with an STC application through the TCCA, FAA, CAA, or EASA. FLYHT typically starts the process by opening an application with the regulator before an STC package is created. The data package is prepared, including engineering documents outlining how FLYHT equipment is substantiated and installed on the aircraft, and the package is submitted to the regulator for provisional approval (this process can vary depending on the jurisdiction).

Once the provisional approval is received, first-of-type ground and flight testing takes place to fulfill regulatory requirements. FLYHT requires access to the proposed types and models of aircraft, which is done in cooperation with an existing or potential customer.

After all tests are complete, FLYHT submits an application for the activation approval to the regulator, confirming all regulatory requirements have been met and the unit is fit for operation on that aircraft type as designed. From there, the regulator approves the submission and an STC is issued.

To acquire an STC validation from a new national regulator, FLYHT submits an application to the new regulator such as the FAA or EASA with the STC data package previously approved by TCCA. The new regulator then reviews the package, confers with the original issuing regulator if required and issues an STC for that country based on their validation of the original STC.

Timelines required for the approval process vary depending on aircraft and workloads, but typically take about three to four months to obtain TCCA approval, with an additional three to eight months if an STC is required from an additional regulator.

### STC Chart: AFIRS 220 and 228

TCCA Canada		FAA USA		EASA EU		CAAC China		ANAC Brazil		Aircraft Type
220	228	220	228	220	228	220	228	220	228	
A	A	A	A	A	A	A	A			Airbus A319, A320, A321
P										Airbus A330
	A		A						A	ATR42-300
	A									ATR42-500 and ATR72-212A "500 Version"
	A		A						A	ATR72-100, -200
					A*					ATR42-500 "600 Version" *STC Twenty One
					A*					ATR72-212A "600 Version" *STC Twenty One
A		A		A		A				Boeing B737-200
A	A	A	A	A	A	A	A		A	Boeing B737-300, -400, -500
A	A	A	A	A	A	A	A			Boeing B737-600
A	A	A	A	A	A	A	A		A	Boeing B737-700, -800
	A									Boeing B737 MAX 8
			A							Boeing B737-900ER
	A									Boeing 747-200
A	A	A	A	A	A	A	A			Boeing 757-200
A	A	A	A	A	A	A	A			Boeing 767-200, -300
	A		A							Boeing B777-200, -300
A	A*	A	A*	A	A*					Bombardier DHC-8-100, -200, -300 *Avmax
A	A		A							Bombardier DHC-8-400
A	A	A	A	A	A		A			Bombardier CRJ-100, -200, -440
	A		A		A		A			Bombardier CRJ-700, -900
							A			Comac ARJ21 *China Express Airlines Co. Ltd.
	A		A				P		A	Embraer ERJ 190-100
		A								Embraer Legacy 600 and ERJ-135, -145
A										Fokker 100
A	A	A	A	A	A					Hawker Beechcraft 750, 800XP, 850XP, 900XP
A		A			A					McDonnell Douglas DC-10 (KC-10 military)
			A							McDonnell Douglas MD-82
	A		A							McDonnell Douglas MD-83
A										Viking Air DHC-7 (LSTC)

FLYHT has also received AFIRS 228 STCs for the Bombardier CRJ-700, -900, Boeing 737-300, -400, -500 and 737-700, -800 from the DGAC (Mexico). FLYHT has received AFIRS 228 STCs for the Boeing 737-300, -400, -500, -700, -800 and the 767-300 from the State Aviation Administration of the Ukraine (SAAU). FLYHT has also received an AFIRS 228 STC validation from CAAM (Civil Aviation Authority of Malaysia) for the Boeing 767-200, -300.

### STC Chart: AFIRS Edge

TCCA Canada	UK CAA	Aircraft Type
A		Airbus A319, A320, A321, NEO
P		Boeing B737-600, -700, -800
P		Boeing B737-MAX 8
	I	Embraer ERJ-145

### STC Chart: FLYHT-WVSS-II

TCCA Canada	UK CAA	Aircraft Type
I		Boeing B737-600, -700, -800
	I	Embraer ERJ-145

### STC Chart: TAMDAR

FAA		EASA		DGCA Indonesia		DCA Malaysia		DGAC Mexico		CAA Philippines		CAA Thailand		Aircraft Type
TR	FL	TR	FL	TR	FL	TR	FL	TR	FL	TR	FL	TR	FL	
		A*	A*	A*	A*	A*	A*			A*	A*	A*	A*	Airbus A318, A319, A320, A321
		A*												Boeing 757
A*	A*			A*	A*	A*	A*							Boeing 737-700, -800, -900
A*	A*	A*	A*											Boeing 737Max 8, 9
A														DHC-8-100, -200, -300, -400
A								A						EMB 135/145
A								A						EMB ERJ 190-100, -200
		A*												EMB ERJ 190-100, -200
A														Hawker Beechcraft 1900
A														Saab 340
A	A													Saab 2000

\*Chart Legend: A = Approved, P = Pending (Provisions STC has been received; in final stages before receiving a full STC), I = In Progress.

## Trends and Economic Factors

FLYHT examines the results of measurements made by leading aviation associations and corporations in order to gain insight into the status of the industry. A few key points are as follows<sup>1</sup>.

- Industry-wide revenue passenger-kilometers (“RPKs”) increased 25.3% year-on-year (YoY) in December. In 2023, industry RPKs reached 94.1% of 2019 levels.
- Available seat-kilometers (“ASKs”) grew by 24.1% YoY and recovered to 94.4% of pre-pandemic capacity over the whole year. Global passenger load factor stood at 82.3%, slightly under the 2019 threshold.
- Domestic markets have seen diverse developments as the year closed, total domestic traffic in 2023 nevertheless surpassed 2019 numbers by 3.9%.
- International traffic achieved great recovery this year while attaining 88.6% in 2023

### The Aviation Industry in 2023

International Air Transport Association’s (“IATA”) industry results, measured in RPK and Cargo Tonne Kilometers (“CTKs”), are the passenger and freight contributions to airline revenue and are significant markers to determine the health of the industry.

Strong demand for air travel continued to propel the recovery of passenger markets in 2023. The total industry achieved a remarkable 36.9% year-on-year (“YoY”) growth, as traffic, measured in RPKs, reached 94.1% of 2019 levels, a significant increase from 2022 when it stood at 68.7%. The supply of seats slightly exceeded the demand for travel compared to 2019 (pre-pandemic), resulting in an industry-wide load factor of 82.3%, which was only 0.3 ppt lower than the load factor in 2019.

Domestic traffic set new highs in 2023, most of the monitored markets surpassed the pre-pandemic levels by mid-2023. The definitive reopening of China in January 2023 shaped the industry’s recovery profile as total domestic RPKs remained largely above pre-pandemic levels for most of the year reflecting the buoyant activity this major market has observed. In 2023, total domestic RPKs grew 30.4% YoY and stood 3.9% over 2019 levels.

On the other hand, international traffic remained lower than its levels of 2019 while maintaining a stable yet robust growth pace. Industry-wide international RPKs increased 41.6% YoY and totaled 88.6% of pre-COVID levels. Although airlines across the globe saw various outcomes, all regions contributed to those developments by achieving resilient growth in international passenger traffic. Asia Pacific airlines more than doubled their RPKs, growing 126.1% compared to 2022, overcoming a large part of the setback caused by past strict travel restrictions, however, they remained 27.3% under pre-pandemic levels. On the other hand, North American carriers have surpassed their 2019 record by 1.4%, leading the regions in terms of international recovery.<sup>1</sup>

Global air cargo demand reached 22.8 billion CTKs in December, the highest traffic in two years, representing a 10.8% increase YoY – the most significant annual growth since October 2021. While this performance is partly due to a base effect (the decline in CTKs for most of 2022), it also reflects strong, continuous YoY demand growth over the past four months and robust month-on-month growth since April. This narrows the gap between 2023 and the previous year to 1.9% yet remains 3.6% below the total air cargo traffic achieved in 2019.

Seasonally Adjusted (“SA”) CTKs maintained their upward trajectory, increasing by 10.7% YoY this month. The continued annual growth in SA CTKs, evident since August, markedly strong reverting from the declining trend observed throughout 2022. This underscores the progressive recovery of the global air cargo market, concluding 2023 on a robust note with strong momentum moving forward.<sup>2</sup>

Boeing and Airbus reported strong orders and deliveries figures in December 2023 and finished the year on a high note. Airbus just set three new industry records last month: Backlog record (8,598 jets), highest gross orders in a year (2,319 jets), and highest net new orders in a year (2,094 jets). Also, Boeing set a new company all-time backlog record (6,216 jets). These records are signs of things to come. In a few years, Airbus will be the first commercial jet maker to report 1,000 deliveries in a single year, and, at the same time, the rivalry between the two major commercial jet makers will intensify, as Boeing will do its utmost to close the gap to its European rival.

In December, Boeing delivered 67 commercial jets compared to Airbus with 112 units. This compares to 69 deliveries for Boeing and 98 for Airbus in December of last year. In 2023, in total, Boeing and Airbus delivered 528 and 735 aircraft compared to 480 and 663, respectively, in 2022. In 2023, Airbus won the deliveries crown for the fifth consecutive year.<sup>3</sup>

<sup>1</sup> <https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-market-analysis-december-2023/>

<sup>2</sup> <https://www.iata.org/en/iata-repository/publications/economic-reports/air-cargo-market-analysis-december-2023/>

<sup>3</sup> [Airbus and Boeing Report December and Full Year 2023 Commercial Aircraft Orders and Deliveries – Flight Plan \(forecastinternational.com\)](https://www.forecastinternational.com/airbus-and-boeing-report-december-and-full-year-2023-commercial-aircraft-orders-and-deliveries-flight-plan)

## **FLYHT’s Market**

FLYHT’s primary markets are commercial passenger and air freight transport operators who seek safer, more efficient, and more reliable operations through making better use of available data, connectivity and information technologies. While competitors offer various point solutions to address one or some of the challenges airlines face, FLYHT offers a unique and wide-ranging combination of avionics hardware, services and SaaS solutions that leverage the latest technologies available. Other markets include business jets and government/military air transport aircraft.

An expanding market for FLYHT is the world’s meteorological agencies and weather services providers. FLYHT enables these weather data customers to work with airlines to implement FLYHT’s weather systems and solutions. FLYHT is the only provider that enables the full suite of Aircraft Based Observations, uniquely including water vapour humidity data that enables enhanced weather forecasting capabilities. The resulting predictive weather intelligence can also help airlines avoid disruptions, recover quicker following better predicted weather disruptions, and fly more efficiently by updating flight plans to avert weather systems that may impact fuel consumption and flight comfort, as well as costly re-routing for airport closures or planning for ground support and gate shutdowns due to severe weather.

Detecting atmospheric conditions that create contrails from aircraft has become increasingly critical, as scientists confirm that contrails have a net warming effect that could be as significant as aircraft carbon dioxide emissions. FLYHT has been working with our Actionable Intelligence and weather offerings to develop services to support the broad array of airlines, scientists & regulators that are looking for ways to further reduce the climate impacts of aviation through contrail detection and avoidance.

## **Foreign Currency**

The Canadian dollar strengthened relative to the U.S. dollar but weakened relative to the euro throughout Q4 2023 and year to date (“YTD”), and overall the Company experienced a positive impact to net income compared to Q4 2022. As a result of these currency movements, the Company’s revenues, of which a majority are denominated in U.S. dollars, with the proportion contributed by CrossSense denominated in euros, were higher than they would have been had the foreign exchange rates not changed throughout Q4 2023 and YTD. It is generally the standard of the aviation industry to conduct business in U.S. dollars. While a majority of the Company’s operating and overhead costs are denominated in Canadian dollars, a significant portion of costs are U.S. dollar and euro denominated, and therefore a partial natural hedge exists against fluctuations of the Canadian dollar.

# Environmental, Social and Governance

FLYHT considers Environmental, Social and Governance (“ESG”) factors in decisions made throughout all aspects of its operations. ESG factors are important to business operations and can impact company value and investor decision making. The Company has set reporting metrics and is continually updating a roadmap and implementation timelines. The focus of this program throughout the fourth quarter of 2023 was on understanding reporting requirements and developing systems to address those requirements. This includes not only assessing potential risks, but also the opportunities for the Company to provide additional services to other companies working to achieve their ESG and broader sustainability goals. FLYHT has selected the financial reports as the communication method for our ESG programs to ensure visibility for investors into FLYHT’s ESG commitments and opportunities, with the Forced Labour reporting component more fully communicated via the annual report that will accompany our annual financial statements.

## Environment

Sustainability has been integral to FLYHT’s operations for many years. Early initiatives had FLYHT playing a key role in the effort to achieve a paperless cockpit, reducing waste, and improving operational efficiency. FLYHT’s data capabilities can also support airlines in meeting their environmental regulatory filing requirements, such as Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”) and European Union Emissions Trading System (“EU ETS”). The Company’s products support the industry’s commitment to attain and measure net-zero 2050 in the key areas of increased operational efficiency and reduction of emissions.

More recently, FLYHT has been focused on helping our customers improve their environmental impact by optimizing their use of aircraft and ground infrastructure for efficiency and safety. FLYHT’s FuelSense and ClearPort products provide support to make policy improvements and justify performance-based maintenance activities. With the addition of real-time notifications to frontline personnel, FLYHT’s customers can mitigate the negative impact of inefficiencies as situations develop. As announced in 2022, FLYHT showcased its partnership with Swoop Airlines to reduce emissions by eliminating non-essential 3<sup>rd</sup> engine / APU usage. The FLYHT real-time APU monitoring and notification program allows an airline to reduce its APU run times by providing timely, targeted, and actionable notifications, thereby reducing carbon dioxide (“CO<sub>2</sub>”) emissions and providing cost savings for the airline. This initiative is aligned with FLYHT’s goal of providing environmentally beneficial solutions that enhance the profit potential for an airline and that create a greener, safer world. The APU consumes approximately 250 lbs of fuel per hour under normal operation. The very nature of FLYHT’s business also supports long-term sustainability. Historically, many of the Company’s sales have come from the retrofit market, in which the Company, by making upgrades to improve the functionality and safety of existing machinery, facilitates the re-use and recycling of aircraft and equipment that might otherwise be scrapped as obsolete.

With the partnership between the UK’s Met Office, Loganair and FLYHT agreed to in 2023, FLYHT will be providing the FLYHT-WVSS-II humidity sensors to improve the accuracy of weather forecasts and specifically the prediction of severe weather in the UK, with additional expected benefits for the aviation industry such as more efficient route planning and supporting aims to reduce CO<sub>2</sub> emissions. Furthermore, FLYHT was awarded a contract by the National Oceanic and Atmospheric Administration (“NOAA”) to provide its water vapour sensor technology to help the U.S. National Weather Service (“NWS”) improve weather forecasting and warnings. The agreement is an expansion of FLYHT’s long-standing relationship with NOAA and a recognition of the important role that ABOs play in improving weather forecasting and warning models.

Measurable environmental impacts internal to FLYHT over the past 5 years include a significant reduction in our operation’s reliance on paper and the diversion of technology equipment from landfills to be repurposed for those in need in the local community. We have upgraded our on-premises server from previous generation hardware to a more energy efficient hyper-converged model, allowing for greater virtualization with less hardware. FLYHT has also moved most users to smaller, more efficient laptop computers, replacing inefficient desktop computers. In addition, FLYHT has shifted to increased virtualization, relying on AWS data centers, which operate with 65% renewable energy as well as utilizing more efficient services and facilities to reduce consumption of non-renewable energy.

## Social

FLYHT has established corporate policies dedicated to improving efficiency in the use of resources and staying abreast of the United Nation’s Sustainable Development Goals and ESG frameworks that are being implemented industry wide. FLYHT’s focus on product quality, continuous improvement, data security, and safety has been consistent and has been of the utmost importance to the success of the Company and its products.

FLYHT has established a policy to address requirements as outlined in Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. By May 31 of each year we will share the steps we have taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or imported into Canada.

FLYHT prioritizes a healthy work life balance by having flexible hours, encouraging a flexible hybrid workplace, providing paid time off for sickness and family responsibilities, opportunities and support to pursue training and professional development, and comprehensive health benefits. Policies that confirm FLYHT’s commitment in these areas include a career development and training policy, and a flexible workplace policy. In addition, FLYHT conducts a periodic staff survey that gives all employees the opportunity to provide anonymous feedback on company culture, workplace satisfaction, workload and recognition, among others. FLYHT also tracks employee health and safety statistics to monitor that procedures are being followed to protect staff.

The development of a robust ESG policy is important to our employees. As the Company becomes more conscious of our contributions, a focus on ESG affects our employees' well-being and is an example of how we can operate as environmental and social citizens. Employees can apply the same principles in their personal lives. Employee participation continues to be critical in forming the Company's ESG direction and identifying key areas to focus on in each area of the business.

FLYHT is committed to providing a workplace that is diverse, inclusive, and welcoming. Responsible recruitment, increased flexibility and balance, as well as training and development opportunities have resulted in creating an environment that fosters engaged contribution, innovation, and collaboration. Improvements in diversity can be seen over the past several years and can be measured from entry level to the senior management team and Board of Directors, providing a workplace where everyone contributes to the vision of being a global force in innovative data solutions. FLYHT is fully committed to doing what it takes to succeed in this area.

The Board of Directors and the senior management team believe that diversity is important to provide a range of perspectives, experiences and expertise to achieve effective stewardship. The Board of Directors and senior management teams have been developed with a wide range of viewpoints, backgrounds, skills, and expertise specific to the aviation technology sector and other industries or sectors that the Board of Directors believe are beneficial to the Company and its shareholders. At this time, the Company has not adopted: (i) a written diversity policy relating to the identification and nomination of members of designated groups; nor (ii) a target number or percentage, or range, for members of designated groups.

## **Governance**

The Company's Corporate Disclosure Policy assists in governance of the conduct of its directors, officers, employees and consultants as it relates to communications with the public. Multiple Company policies form a code of conduct for this group. The Board of Directors believes that the Company's size also facilitates informal review of and discussions with employees and consultants. The Company has a whistleblower policy in place which is acknowledged by all employees upon hire, and which is periodically reviewed with all staff. A comprehensive anti-corruption policy ensures all relevant staff and consultants are aware and are trained appropriately. Relevant consultants are required to attest to compliance on a regular basis and all business opportunities are evaluated with this policy in mind. Directors are kept apprised of activities undertaken to minimize risk in this area. The Board of Directors monitors ethical conduct of the Company and ensures that it complies with applicable legal and regulatory requirements, including those of relevant securities commissions and stock exchanges. The fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board of Directors in which the director has an interest, ensure that the Board of Directors operates independently of management and in the best interests of the Company.

## **Next steps**

A key activity within FLYHT's ESG strategy has been preparation for climate-related disclosures. Although as a TSX Venture issuer FLYHT's implementation effort at this point will be largely voluntary, the Company believes it is important to assess material implications for the business regarding climate change risks and opportunities. Jurisdictions around the world are requiring that companies report within disclosure frameworks, and it is a strategic decision to evaluate the Company's efforts using a framework such as the Task Force on Climate Related Disclosures ("TCFD"). FLYHT has also seen an increase in reporting requirements and evaluations from customers and suppliers. Climate change and ESG measures are under the direct purview of the audit committee, which is working to establish policies and processes for this sub-committee. FLYHT has completed a review of climate change risks and opportunities, and an assessment of finance and investment policy alignment with environmental goals. Next steps involve establishing consistent review of and reporting on our material climate risks, while monitoring further mandates and requirements for disclosure.

In June 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, which are effective for annual reporting periods beginning on or after January 1, 2024, subject to local jurisdictional adoption. These standards provide for transition relief in IFRS S1, allowing reporting entities to report on only climate-related risks and opportunities in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standard, including the effective annual reporting dates. The CSA issued proposed National Instrument NI-51-107 - Disclosure of Climate-related Matters in October 2021. The CSA intends to consider the ISSB standards in addition to developments in United States reporting requirements in its decision relating to development of climate-related disclosure requirements for Canadian reporting issuers. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for a combined review of the suitability of adopting the ISSB standards in Canada. There is no requirement for public companies in Canada to adopt the ISSB standards until the CSA and CSSB have issued a decision on reporting requirements in Canada. While FLYHT is reviewing the ISSB standards as well as the recently released CSSB proposals, we have not yet determined the impact on future financial statements nor has the Company quantified the costs to comply with such standards.

# Security Management

FLYHT participated in ICAO's annual conference on aviation and cyber security, which was attended by senior government officials, regulators, and industry leaders from around the world. This included a presentation by FLYHT that advocated for integrated risk management in the airline industry, whereby the common key elements of risk management systems applicable to safety, aviation security, and cybersecurity are integrated by airlines, airports, equipment manufacturers, and suppliers to ensure the highest degree of resilience of both individual organizations and the industry as a whole.

FLYHT has implemented a Security Management System ("SecMS") to ensure that cyber, corporate, and product security protocols consistently fulfill all requirements mandated by government regulation and industry standards, are based on accurate assessment and effective mitigation of security risks, support the Company's vision and mission, values, and core business objectives, and are conducted in the most efficient and cost-effective manner, considering the operational and business environment. The SecMS applies to the protection of FLYHT's people, data, assets, technology systems, intellectual property, and products and services. It consists of eight core elements that provide the overall governance, risk, business resilience, and continuous improvement protocols that can be scaled to include various operational security functions.

## 2023 Key Achievements and Activities

- In March 2023, FLYHT received STC Certification for the AFIRS 228 on Boeing 737 MAX-8 aircraft.
- FLYHT was named to the TSX Venture Exchange 'Venture 50'
- Testimony was provided by FLYHT to U.S. congress regarding reauthorization of the Weather Act
- Commercial agreements were signed with Sichuan Airlines and Bahamasair
- FLYHT welcomed two new directors to its board, Peter Large and Nancy Young
- Flair Airlines signed an agreement to purchase AFIRS Edge hardware and Actionable Intelligence services
- FLYHT received a USD \$1.4 million purchase order from a long-time Original Equipment Manufacturer ("OEM") partner
- A five-year renewal was signed with a long-term customer for AFIRS services on its fleet of 14 Boeing aircraft, together with a trial for CrossConsense's ACSIS product
- FLYHT partnered with the UK Met Office and Loganair to improve forecasts of high impact weather, providing weather observations via the FLYHT-WVSS-II and AFIRS Edge products
- A purchase order was received with NOAA for FLYHT to provide the FLYHT-WVSS-II product together with the AFIRS Edge
- A European flag carrier contracted with CrossConsense for a two-year aircraft data migration project
- Canada Jetlines signed an agreement with FLYHT for both the AFIRS Edge and AFIRS 228 hardware on their fleet, affirmed their support as FLYHT's A320 STC partner, and added the full suite of FLYHT's software services
- FLYHT obtained STC certification from the FAA for a specialized version of the AFIRS 228 on A319, A320 and A321 aircraft
- Air North ordered both hardware and software services, including AFIRS Edge & AFIRS 228, on its fleet of B737NG aircraft
- FLYHT signed a multi-year contract renewal with Jordan Aviation to provide its fleet of Boeing 767, 737's and Airbus A320's with FLYHT's software solutions

# Results of Operations

## Selected Results

	Q4 2023 \$	Q3 2023 \$	Q2 2023 \$	Q1 2023 \$
Assets	13,182,648	13,469,943	14,293,601	14,988,847
Non-current financial liabilities*	5,197,714	5,439,092	5,677,518	5,912,886
Revenue	4,244,787	5,099,019	6,043,543	4,757,230
Cost of sales	1,736,607	2,108,313	2,442,082	2,030,311
Gross profit	2,508,180	2,990,706	3,601,461	2,726,919
Gross profit %	59.1%	58.7%	59.6%	57.3%
Distribution expenses	1,532,646	1,543,074	1,587,397	1,759,353
Administration expenses	1,028,202	897,031	1,060,111	1,062,840
Research, development and certification engineering expenses	1,339,924	1,146,019	950,995	1,411,873
Results from operating activities	(1,392,592)	(595,418)	2,958	(1,507,147)
Depreciation and amortization	165,809	164,553	165,087	163,233
EBITDA*	(1,226,783)	(430,865)	168,045	(1,343,914)
Loss	(1,494,795)	(728,655)	(168,807)	(1,657,114)
Loss per share (basic)	(0.04)	(0.02)	(0.01)	(0.04)
Loss per share (diluted)	(0.04)	(0.02)	(0.01)	(0.04)
	Q4 2022 \$	Q3 2022 \$	Q2 2022 \$	Q1 2022 \$
Assets	16,540,154	14,873,106	14,674,263	16,482,757
Non-current financial liabilities*	6,322,769	6,307,401	6,392,197	6,231,765
Revenue	7,241,758	6,725,373	4,881,372	5,030,657
Cost of sales	2,384,329	1,853,079	2,156,364	2,279,528
Gross profit	4,857,429	4,872,294	2,725,008	2,751,129
Gross profit %	67.1%	72.4%	55.8%	54.7%
Distribution expenses	1,661,256	1,531,091	1,339,537	1,379,783
Administration expenses	1,209,188	1,199,337	1,361,728	1,312,039
Research, development and certification engineering expenses	1,079,052	1,329,944	1,046,294	1,165,197
Results from operating activities	907,933	811,922	(1,022,551)	(1,105,890)
Depreciation and amortization	262,250	112,758	116,771	168,260
EBITDA*	1,170,183	924,680	(905,780)	(937,630)
Income (loss)	718,689	703,765	(1,141,140)	(1,284,347)
Income (loss) per share (basic)	0.01	0.02	(0.03)	(0.03)
Income (loss) per share (diluted)	0.01	0.02	(0.03)	(0.03)

\*See Non-GAAP Financial Measures

## Weighted Average Shares Outstanding

	2023 \$	2022 \$	2021 \$
Basic	38,904,152	38,151,602	31,415,175
Diluted	39,149,318	38,383,777	31,691,451

## Financial Position

### Liquidity and Capital Resource

The Company's cash and cash equivalents at December 31, 2023 decreased to \$1,542,203 from \$1,997,650 at December 31, 2022. The Company has an operating demand loan available through a Canadian chartered bank for up to a maximum of \$2.0 million. The operating demand loan bears interest at the Canadian chartered bank prime plus 1.5%. Security includes accounts receivable, cash collateral of \$500,000 in the form of a Guaranteed Investment Certificate, a guarantee under the Export Development Canada's Export Guarantee Fund and a general security agreement including a security interest in all personal property. This facility was undrawn at December 31, 2023.

The Company funded Q4 2023 operations primarily through cash proceeds received from sales.

	December 31, 2023 \$	December 31, 2022 \$	Variance \$
Cash and cash equivalents	1,542,203	1,997,650	(455,447)
Other financial assets	500,000	650,000	(150,000)
Trade and other receivables	2,896,200	5,127,338	(2,231,138)
Contract assets	282,136	121,046	161,090
Deposits and prepaid expenses	263,798	349,132	(85,334)
Inventory	1,180,757	1,385,048	(204,291)
Tax receivable	24,643	-	24,643
Trade payables and accrued liabilities	(3,097,494)	(2,736,269)	(361,225)
Customer deposits	(1,022,829)	(376,668)	(646,161)
Contract liabilities	(1,052,969)	(922,952)	(130,017)
Loans and borrowings	(1,234,335)	(828,345)	(405,990)
Lease liability	(466,670)	(436,581)	(30,089)
Current tax liabilities	-	(10,541)	10,541
<b>Working capital*</b>	<b>(184,560)</b>	<b>4,318,858</b>	<b>(4,503,418)</b>

\*See Non-GAAP Financial Measures

As at April 24, 2024 FLYHT's issued and outstanding share capital was 38,997,650.

The consistent achievement of positive earnings is necessary before the Company can consistently improve liquidity. The Company has continued to expand its cash flow potential through its continued marketing drive to clients around the world, contracts for delivery of hardware units and related services, and development of hardware and software solutions designed to access opportunities presented by changing industry technology, airline industry need for real-time data analysis, for solutions supportive of airlines' NetZero commitments, and growing interest from meteorological agencies in airborne weather observations.

It is the Company's intention to continue to fund operations by adding revenue and its resulting cash flow, as well as continuing to manage outgoing cash flows. The Company's results showed annual losses from operating activities in both 2023 and 2022, with operating activities contributing positive cash in 2023 compared to negative cash in 2022 due to lower non cash working capital year over year, with the change in accounts receivable between periods as a large contributor. At December 31, 2023, the Company had negative working capital of \$185 thousand compared to positive \$4.3 million as of December 31, 2022, a decrease of \$4.5 million. The Company ended Q4 2023 with balances of \$1.5 million in cash and cash equivalents, \$0.5 million in Guaranteed Investment Certificates ("GIC") and an undrawn credit facility of \$2.0 million.

For the Company to continue as a going concern longer-term, it will need to consistently achieve profitability and positive operating cash flows. The Company plans to expand its earnings and cash flow potential through its focused marketing efforts, particularly the presentation of Actionable Intelligence tools to customers and prospects and the pursuit of opportunities for the deployment of FLYHT's weather sensors, which are expected to result in additional contracts for delivery of hardware units and related services. Until achieving consistent positive earnings and cash flows, it is the Company's intention to continue to fund operations through revenue and its resulting cash flow as well as continue to manage outgoing cash flows. The Company may elect to scale back operations to create positive cash from existing revenue and/or raise necessary financing in the capital markets through debt and/or equity.

General economic conditions in the industry and the financial condition of major customers may affect the Company's ability to achieve positive earnings and cash flows. The negative impact on the commercial air industry resulting from the COVID-19 pandemic was unprecedented. Starting in early 2020 FLYHT saw impact of the pandemic in revenue and trade receivable payments due to the impact of the pandemic on our customers. There has largely been recovery in our customer base, although 100% recovery has not been attained. There is continued risk until such a time as the global aviation industry recovers fully.



There is no assurance that the Company will be successful in attaining and sustaining profitable operations and positive cash flow and/or raising additional capital to meet its 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 material uncertainties may cast doubt upon the Company's ability to continue as a going concern. These 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.

## Financial Instruments

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

The Company may be exposed to changes in interest rates as a result of the operating loan bearing interest based on the Company's lenders' prime rate. This facility was undrawn at December 31, 2023.

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 Hardware sales, the invoiced amount is frequently 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 services are provided. To further minimize credit exposure, credit insurance is obtained on select customers whose balances have not been prepaid. In the case of monthly recurring revenue, the Company may disable data transmissions where the customer has not fulfilled its financial obligations, or halt provision of service and support. The recoverability of the Company's receivables has been impacted by the consequences of the pandemic on the global airline industry, which has been reflected in the bad debt reserve. As of April 24, 2024 \$2,311,083 of the balances outstanding at December 31, 2023 had been collected.

## Contractual Obligations

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

December 31, 2023	< 1 year \$	1-2 years \$	2-5 years \$	> 5 years \$	Total \$
Accounts payable	2,582,657	-	-	-	2,582,657
Compensation and statutory deductions	382,140	-	-	-	382,140
Accrued liabilities	132,697	-	-	-	132,697
Lease payments	466,670	441,150	1,083,668	755,541	2,747,029
Loans and borrowings	733,104	1,064,945	3,438,687	553,261	5,789,997
<b>Total</b>	<b>4,297,268</b>	<b>1,506,095</b>	<b>4,522,355</b>	<b>1,308,802</b>	<b>11,634,520</b>

## Government Loans

Funding obtained via four governmental programs are included in the Loans and Borrowings totals on the Consolidated Statement of Financial Position.

Under the Strategic Aerospace and Defence Initiative ("SADI"), at December 31, 2023 the Company has an outstanding repayable balance of \$822,219. The amount is repayable over 15 years on a stepped basis that commenced on 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 January 31, 2029 (adjusted from April 30, 2028 in response to the COVID-19 pandemic) when the final payment will be 24.5% of the total contribution received. Repayment of \$208,715 was made in 2023 (2022: \$181,493). The carrying value of the amount owing under this program at December 31, 2023 is \$1,329,622 (December 31, 2022: \$1,331,720).

In November 2016, the Company signed a contribution agreement with Western Economic Diversification Canada for a Western Innovation Initiative ("WINN") loan, to support plans for technology development in the air and ground components of the Company's products. Under the terms of the agreement, a repayable unsecured WINN contribution of \$2,350,000 was received. The amount is repayable over five years commencing January 1, 2020. Contract amendments in 2020 adjusted the payment dates, with the final payment date pushed back to September 2025; while an amendment in March 2024 reduced payments required from April 2024 – March 2025, with the resulting difference added to the amount of each payment due from April 2025 – September 2025. Repayments in 2023 totaled \$468,000 (2022: \$468,000). The carrying value of the amount owing under this program at December 31, 2023 is \$757,953 (December 31, 2022: \$1,132,345).

In November 2018, the Company signed a second contribution agreement with Western Economic Diversification Canada for a WINN loan, to support development of the next generation of AFIRS hardware and embedded software to address parts obsolescence issues and add new market-driven features. Under the terms of this agreement, a repayable unsecured WINN contribution of \$2,761,000 was received, repayable over five years commencing October 1, 2021. Contract amendments in 2021 adjusted the repayment start date to October 1, 2023 and a March 2024 amendment reduced payments required from April 2024 – March 2025, with the difference added to the amount of each payment due from April 2025 – October 1, 2028. Repayments in 2023 totaled \$138,051 (2022: \$nil). The carrying value of the amount owing under this program at December 31, 2023 is \$2,221,217 (December 31, 2022: \$2,202,931).

In May 2021, the Company received funding of \$250,000 through the Business Development Bank of Canada's ("BDC") Highly Affected Sectors Credit Availability Program ("HASCAP") loan program, designed to support small and medium sized businesses affected by COVID-19. This loan carries interest of 4% per annum over a 10-year term commencing May 10, 2021. Payments in the first year following funding were comprised of interest only, with the principal and accrued interest payable over the remaining 9 years. Repayments in 2023 totaled \$36,621 (2022: \$26,042). The carrying value of the amount owing under this program at December 31, 2023 is \$187,742 (December 31, 2022: \$210,777).

A summary of the carrying value of the government loans as at December 31, 2023 and 2022 and changes during these three and twelve months is presented below.

	For the three months ended December 31			For the year ended December 31		
	2023 \$	2022 \$	Variance \$	2023 \$	2022 \$	Variance \$
Opening Balance	4,642,830	4,741,988	(99,158)	4,877,773	4,456,286	421,487
Received	-	278,209	(278,209)	-	947,368	(947,368)
Grant Portion	-	(142,676)	142,676	-	(324,926)	324,926
Interest accretion	117,800	126,576	(8,776)	470,148	474,580	(4,432)
Repayment	(264,096)	(126,324)	(137,772)	(851,387)	(675,535)	(175,852)
<b>Carrying amount at December 31</b>	<b>4,496,534</b>	<b>4,877,773</b>	<b>(381,239)</b>	<b>4,496,534</b>	<b>4,877,773</b>	<b>(381,239)</b>
Less current portion	1,234,335	828,345	405,990	1,234,335	828,345	405,990
Non-current portion	3,262,199	4,049,428	(787,229)	3,262,199	4,049,428	(787,229)

## Customer Deposits

Customers are frequently required to pay for Hardware prior to the planned shipment date, or for Technical Services in advance of delivery. This non-refundable prepayment is recorded as a Customer Deposit liability upon receipt. When the associated items are shipped, or technical services provided, the deposit is applied to clear the resulting trade receivable.

The chart below outlines the movement in the Company's customer deposits throughout the periods ending December 31, 2023 and 2022. Payments were received for 9 installation kits in the fourth quarter of 2023 compared to 8 received in the fourth quarter of 2022, with variations in aircraft configuration and installation kit requirements resulting in pricing differences per kit. For the year ended December 31, 2023 payment was received for 77 kits, compared to the 64 kits in the same timeframe of 2022.

	For the three months ended December 31			For the year ended December 31		
	2023 \$	2022 \$	Variance	2023 \$	2022 \$	Variance
Opening balance	869,836	713,369	156,467	376,668	609,555	(232,887)
Payments received	633,835	557,270	76,565	2,665,320	2,376,293	289,027
Recognized as revenue	(480,842)	(893,971)	413,129	(2,019,159)	(2,609,180)	590,021
<b>Balance, December 31</b>	<b>1,022,829</b>	<b>376,668</b>	<b>646,161</b>	<b>1,022,829</b>	<b>376,668</b>	<b>646,161</b>

## Comprehensive Loss

### Revenue

**SaaS** is the recurring revenue from the Company's products that allow customers to utilize and analyze data they receive from hardware, use of functions such as the satellite phone, weather data, and hosting and support of maintenance systems and associated data. These fees are recognized as the service is provided each month. **Hardware** includes the income from hardware sales and related parts required to install the unit, spare units and installation parts. **Licensing** includes sales of modems with a related manufacturing license fee. **Technical Services** includes all services offered by the Company, including repairs, training services and other expertise.

## Revenue sources

	For the three months ended December 31			For the year ended December 31		
	2023 \$	2022 \$	Variance	2023 \$	2022 \$	Variance
SaaS	2,801,661	2,253,618	548,043	10,693,098	8,157,886	2,535,212
Hardware	327,941	1,217,860	(889,919)	4,273,464	4,720,204	(446,740)
Licensing	25,649	3,030,368	(3,004,719)	1,962,223	9,101,130	(7,138,907)
Technical Services	1,089,536	739,912	349,624	3,215,794	1,899,940	1,315,854
<b>Total</b>	<b>4,244,787</b>	<b>7,241,758</b>	<b>(2,996,971)</b>	<b>20,144,579</b>	<b>23,879,160</b>	<b>(3,734,581)</b>

For the year ended December 31, 2023, total revenue decreased 15.6% from \$23,879,160 in 2022 to \$20,144,579 in 2023.

**SaaS** revenue increased 24.3% in Q4 2023 over Q4 2022, and 31.1% year over year. The post-pandemic recovery of the Company's customer base and an increase in weather data being provided to meteorological organizations were the main contributors to the increases, with the addition of CrossConsense revenues also a factor in increases year to date ("YTD").

**Hardware** revenue in Q4 2023 decreased 73.1% as compared to Q4 2022, with a total of 4 installation kits shipped in Q4 2023 compared to 16 kits shipped in Q4 2022. YTD decreases of 9.5% resulted from a total of 69 installation kits shipped in 2023 matching the 69 installation kits shipped in 2022; with variations in aircraft configuration and installation kit requirements resulting in pricing differences per kit.

**Licensing** revenue decreased 99.2% from Q4 2022 and decreased 78.4% YTD due to differences in the number of modems and associated license fees ordered for delivery in comparative periods. Licensing revenues in 2022 were much higher than average in the history of that program.

**Technical Services** revenue increased 47.3% for Q4 2023 compared to Q4 2022 as a result of data migration project work completed as well as an increase in customer requests for certification services. The increase in CrossConsense data migration revenues in 2023 were a significant factor in the YTD increase of 69.3%.

Revenue sources for the last eight quarters were:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
SaaS	2,801,661	2,787,664	2,690,573	2,413,200	2,253,618	2,073,284	2,155,912	1,675,072
Hardware	327,941	1,001,817	1,172,261	1,771,445	1,217,860	480,064	912,682	2,109,598
Licensing	25,649	494,573	1,433,264	8,737	3,030,368	3,536,153	1,399,903	1,134,706
Technical Services	1,089,536	814,965	747,445	563,848	739,912	635,872	412,875	111,281
<b>Total</b>	<b>4,244,787</b>	<b>5,099,019</b>	<b>6,043,543</b>	<b>4,757,230</b>	<b>7,241,758</b>	<b>6,725,373</b>	<b>4,881,372</b>	<b>5,030,657</b>

Geographical distribution of revenue sources was:

	Q4 2023		Q4 2022		YTD 2023		YTD 2022	
	\$	%	\$	%	\$	%	\$	%
United States & Mexico	984,533	23.2	3,782,947	52.2	5,795,172	28.8	12,224,340	51.2
Asia	430,897	10.2	239,138	3.3	1,671,890	8.3	975,081	4.1
China	144,615	3.4	593,659	8.2	1,109,486	5.5	1,963,049	8.2
Middle East	83,006	2.0	134,681	1.9	587,969	2.9	607,445	2.5
Canada	257,939	6.0	638,758	8.8	3,121,656	15.5	2,900,423	12.1
Australia	197,070	4.6	200,242	2.8	723,939	3.6	472,278	2.0
Africa	137,687	3.2	126,699	1.7	546,791	2.7	495,874	2.1
Europe	1,988,900	46.9	1,510,949	20.9	6,511,146	32.3	4,069,501	17.1
South/Central America	20,140	0.5	14,685	0.2	76,529	0.4	171,169	0.7
<b>Total</b>	<b>4,244,787</b>	<b>100.0</b>	<b>7,241,758</b>	<b>100.0</b>	<b>20,144,579</b>	<b>100.0</b>	<b>23,879,160</b>	<b>100.0</b>

## Gross Profit and Cost of Sales

FLYHT's cost of sales includes the direct costs associated with specific revenue types, including the hardware unit, installation kits, training, installation support, project management and software implementation, 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 Q4 2023 was 40.9% compared to 32.9% in Q4 2022. Gross profit decreased due to differences in the mix of revenue sources, mainly due to differences in the licensing revenue category. Gross profit will fluctuate quarter over quarter depending on the mix of revenue categories.

Gross profit and cost of sales for the last eight quarters was:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Gross Profit %	59.1	58.7	59.6	57.3	67.1	72.4	55.8	54.7
Cost of Sales %	40.9	41.3	40.4	42.7	32.9	27.6	44.2	45.3

## Distribution Expenses (Recovery)

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

Major Category	Q4 2023 \$	Q4 2022 \$	Variance \$	YTD 2023 \$	YTD 2022 \$	Variance \$
Salaries and benefits	1,017,946	1,046,312	(28,366)	4,166,651	4,136,208	30,443
Share based compensation	14,046	27,640	(13,594)	52,690	57,674	(4,984)
Contract labour	241,955	270,044	(28,089)	962,400	880,600	81,800
Office	67,815	70,483	(2,668)	274,554	219,720	54,834
Travel	72,373	109,759	(37,386)	324,468	266,070	58,398
Equipment and maintenance	75,747	57,054	18,693	254,624	177,730	76,894
Depreciation and amortization	54,334	43,774	10,560	215,444	204,962	10,482
Marketing	37,976	81,378	(43,402)	135,845	158,281	(22,436)
Government grants	-	-	-	-	(222,108)	222,108
Bad debt reserve decrease (increase)	(49,546)	(45,188)	(4,358)	35,794	32,530	3,264
<b>Total</b>	<b>1,532,646</b>	<b>1,661,256</b>	<b>(128,610)</b>	<b>6,422,470</b>	<b>5,911,667</b>	<b>510,803</b>

Distribution expenses decreased 7.7% from Q4 2022 to Q4 2023, and increased 8.6% YTD 2023 compared to YTD 2022. The COVID-19 related government grants received in 2022 that were not available in 2023 as well as the acquisition of the CrossConsense business in late Q1 2022 were both factors in YTD increases.

**Salaries and benefits** showed an increase for the 2023 year due to staff additions from the acquisition of CrossConsense in March 2022; with a decrease in Q4 2023 compared to Q4 2022 as a result of changes in staffing levels in this area. **Contract labour** decreases Q4 2023 from Q4 2022 show a restructuring in our contractors supporting our sales, while increases YTD occurred with the addition of resources dedicated to business development for our newest products.

**Office** expenses show a YTD increase mainly due to the Q1 2022 addition of the CrossConsense office location in Frankfurt and associated expenses.

**Travel** decreased in Q4 2023 compared to Q4 2022 with a difference in number of personnel travelling; but increased YTD, reflecting an overall increase in face to face meetings and conferences supporting marketing and sales activities.

**Equipment and maintenance** Q4 and YTD increases reflect the addition of costs related to CrossConsense's third-party server hosting facility in late Q1 2022 as well as increases in costs for web hosting activities.

**Government grants** related to COVID-19 did not occur in 2023, with the conclusion of these grants in 2022.

## Administration Expenses (Recovery)

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

Major Category	Q4 2023 \$	Q4 2022 \$	Variance \$	YTD 2023 \$	YTD 2022 \$	Variance \$
Salaries and benefits	388,695	250,159	138,536	1,666,945	1,712,234	(45,289)
Share based compensation	14,690	43,935	(29,245)	68,076	101,355	(33,279)
Contract labour	146,509	238,522	(92,013)	380,110	1,179,042	(798,932)
Office	158,917	172,733	(13,816)	683,577	672,276	11,301
Legal fees	16,779	17,990	(1,211)	57,761	173,751	(115,990)
Audit and accounting	123,599	142,187	(18,588)	376,993	350,840	26,153
Investor relations	20,647	22,002	(1,355)	158,965	145,091	13,874
Travel	1,606	35,425	(33,819)	34,568	153,295	(118,727)
Equipment and maintenance	75,968	96,855	(20,887)	321,660	348,842	(27,182)
Depreciation and amortization	72,874	178,107	(105,233)	291,155	273,445	17,710
Government grants	-	-	-	-	(48,258)	48,258
Other	7,918	11,273	(3,355)	8,374	20,379	(12,005)
<b>Total</b>	<b>1,028,202</b>	<b>1,209,188</b>	<b>(180,986)</b>	<b>4,048,184</b>	<b>5,082,292</b>	<b>(1,034,108)</b>

Administration expenses decreased by 15.0% from Q4 2022 to Q4 2023 and 20.3% YTD, mainly due to a year over year reduction in salaries and benefits and contract labour.

**Salaries and benefits** increased in Q4 2023 compared to Q4 2022 due to a reallocation of acquisition costs to the intangible assets in Q4 2022. Costs in this category were reduced YTD due to reductions in resources engaged in administrative activities, with the addition of CrossConsense staff in March 2022 offsetting a portion of the YTD difference.

**Contract labour** decreased both for Q4 as well as YTD 2023 due to reductions in contract resources engaged in administrative activities.

**Legal** expenses have decreased YTD as the CrossConsense acquisition costs incurred in early 2022 did not re-occur in 2023, while the expense in the fourth quarter remained consistent with the comparative quarter.

**Travel** decreased in Q4 2023 compared to Q4 2022, as well as YTD, with differences in travel requirements for investor relations purposes and the non-recurring nature of the travel required in 2022 in support of the CrossConsense acquisition.

**Depreciation and amortization** decreased for the quarter, but with an increase YTD, reflecting differences in amortization of intangible assets acquired in the Q1 2022 CrossConsense business combination.

**Government grants** related to COVID-19 did not occur in 2023, with the conclusion of these grants in 2022.

## Research, Development and Certification Engineering Expenses (Recovery)

Consists of expenses related to the improvement of existing and development of new technology and products, and the effort involved in obtaining regulatory approval for FLYHT's product set.

Major Category	Q4 2023 \$	Q4 2022 \$	Variance \$	YTD 2023 \$	YTD 2022 \$	Variance \$
Salaries and benefits	880,744	1,056,219	(175,475)	3,925,436	4,359,273	(433,837)
Share based compensation	6,078	6,586	(508)	24,071	19,870	4,201
Contract labour	509,273	115,497	393,776	958,234	441,551	516,683
Office	34,734	38,209	(3,475)	137,957	138,624	(667)
Travel	16,217	12,682	3,535	41,793	54,035	(12,242)
Equipment and maintenance	34,379	56,103	(21,724)	115,926	118,477	(2,551)
Components	28,217	8,562	19,655	87,392	45,186	42,206
Depreciation and amortization	38,601	40,369	(1,768)	152,083	181,632	(29,549)
SR&ED credit	10,950	-	10,950	(331,689)	(148,637)	(183,052)
Government grants	(219,269)	(255,175)	35,906	(262,392)	(589,663)	327,271
Other	-	-	-	-	139	(139)
<b>Total</b>	<b>1,339,924</b>	<b>1,079,052</b>	<b>260,872</b>	<b>4,848,811</b>	<b>4,620,487</b>	<b>228,324</b>

Research and Development expenses were 24.2% higher in Q4 2023 compared to the prior year's fourth quarter, with a 4.9% increase YTD. Research and development costs vary according to specific project requirements.

**Salaries and benefits** expenses decreased both in Q4 2023 and YTD while being offset with increases in **Contract labour** as a result of resource requirements varying based on the specific needs of various R&D initiatives. Associated **Components** required for those R&D initiatives also increased for this reason.

The **SR&ED credit** Q4 2023 was a government recalculation resulting in a reduction in credit. YTD variance reflects an increase in expenses eligible for refundable tax credits under this Canadian governmental program.

**Government grants** received in 2023 consisted of Alberta Innovates government funding related to R&D programs. Grants related to COVID-19 did not occur in 2023 with the conclusion of these grants in 2022.

## Net Finance Costs

Major Category	Q4 2023 \$	Q4 2022 \$	Variance \$	YTD 2023 \$	YTD 2022 \$	Variance \$
Interest income	(7,754)	(13,336)	5,582	(37,514)	(26,576)	(10,938)
Net foreign exchange loss (gain)	(37,911)	61,648	(99,559)	(76,050)	(13,741)	(62,309)
Bank service charges	16,072	12,009	4,063	78,177	39,217	38,960
Interest expense	26,063	25,650	413	110,539	110,426	113
Government loan accretion	117,800	126,573	(8,773)	470,148	474,580	(4,432)
<b>Net finance costs</b>	<b>114,270</b>	<b>212,544</b>	<b>(98,274)</b>	<b>545,300</b>	<b>583,906</b>	<b>(38,606)</b>

**Net foreign exchange loss (gain)** will vary between periods due mainly to fluctuations in the value of the Canadian dollar in relation to the U.S. dollar and the euro. A strengthening of the Canadian dollar in relation to the U.S. dollar and the euro in Q4 2023 gave rise to foreign exchange gains in Q4 2023 compared to Q4 2022 on foreign currency denominated sales and purchases, in combination with fluctuations in U.S. denominated assets and liabilities.

## Net Income (Loss) & EBITDA

Major Category	Q4 2023 \$	Q4 2022 \$	Variance \$	YTD 2023 \$	YTD 2022 \$	Variance \$
Net income (loss)	(1,494,795)	718,689	(2,213,484)	(4,049,371)	(1,003,033)	(3,046,338)
Net finance costs	114,270	212,544	(98,274)	545,300	583,906	(38,606)
Tax expense	(12,067)	(23,300)	11,233	11,872	10,541	1,331
Depreciation and amortization	165,809	262,250	(96,441)	658,682	660,039	(1,357)
<b>EBITDA</b>	<b>(1,226,783)</b>	<b>1,170,183</b>	<b>(2,396,966)</b>	<b>(2,833,517)</b>	<b>251,453</b>	<b>(3,084,970)</b>

## Business Combination

On March 17, 2022 the Company acquired 100% of the shares of CrossConsense GmbH & Co. KG (“CrossConsense”). Founded in 2002, Frankfurt Germany-based CrossConsense develops and markets software to support commercial aviation maintenance management. Products include a predictive maintenance troubleshooting and engineering tool; software to support aircraft maintenance, repair and data migration; and live data dashboards to assist aircraft maintenance teams. CrossConsense has also constructed a progressive web application plus native apps that offer up-to-date data on an airline’s fleet status. Additionally, CrossConsense offers consulting and support services as well as hosting, database operation and performance monitoring of commercial aircraft maintenance applications. This acquisition is expected to accelerate FLYHT’s strategic roadmap to build out a maintenance software capability and fulfil the Company’s goal to increase its presence in the European and Middle East markets.

Under terms of the agreement, FLYHT (through its wholly owned German subsidiary formed as part of this transaction) acquired all of the outstanding securities of CrossConsense for \$1.25 million in cash and 1.9 million common shares of the Company, valued at \$1.235 million based on the fair value of each common share of the Company on the closing date of \$0.65 per share. The shares were held in escrow, to be released equally in 1/3 increments at 4-, 16- and 28-months following issuance on the transaction’s closing date. Also included in the purchase price was other consideration valued at \$192,000.

## Other

### 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, but it is important to identify those that could have a material effect on business or results of operations. Such risks are listed below; the areas defined are not exhaustive.

### Production and Physical Workspace Risk

FLYHT relies on a physical infrastructure to carry out certain activities. Local as well as widespread impacts such as fire and extreme weather could impact FLYHT’s ability to carry out operations. FLYHT maintains a business continuity plan to mitigate the impact of such events.

### Climate Change Risk

The transportation sector is responsible for a significant portion of the emissions that are known to have negative climate impact. This is both an opportunity and a risk for FLYHT. FLYHT’s products can aid our customers in reducing their environmental impact through optimizing the use of their assets, including a reduction in emissions. The most significant risk to FLYHT is a reduction in customers’ operations due to social or other pressures, or regulation, to limit flights. If this risk were to be realized, it could eventually erode FLYHT’s revenue in tandem with that of our customers.

### Policy and Regulation Risk

FLYHT customers operate in a variety of jurisdictions. Government policy and regulation changes could have an impact on FLYHT, both positively and negatively. Impacts could include, but not be limited to, FLYHT’s ability to collect data, disseminate data and other constraints related to provision of services. Changes to governmental policy and regulations are an inherently challenging area and could have material impact to FLYHT’s future revenue and expenses.

### Geo-political Risk

Geopolitical risk covers a wide array of risks associated with any sort of conflict or tension between states, with the potential to impact global trade, security, and political relations, with secondary results including impacts to commercial aviation, and commodity pricing increases. The Company has a globally diverse customer base, with diversity also in customer operations, including both passenger travel and freight operations. This multi-level diversity helps mitigate the impact of regional reductions and market segment reductions in aviation due to travel restrictions, sanctions, or degradation in infrastructure. If further pressure due to geopolitical factors emerges, FLYHT will respond accordingly.

### ***Employee Travel Risk***

FLYHT staff have resumed global travel to meet with current and potential customers, some of whom are in jurisdictions where there may be increased risk to their personal safety and security. Travel requests are reviewed to ensure that staff are not travelling to locations that place them at undue risk. Travel safety and security resources are available to staff, including pre-departure risk assessments, travel briefings, safety awareness training, flight and hotel itinerary tracking, and access to a 24/7 contact for emergency travel medical assistance.

### ***Installations at C-checks***

Some of the Company's hardware products can take approximately 150-200 person-hours to install on an aircraft, depending on the product, aircraft type and installation crew. Since the installation period is non-trivial, 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, though most aircraft are available annually. The timing of a c-check for hardware installation is an uncertainty to the Company because it results in a delay in initial revenue from the sale of the hardware and the Company will not receive recurring revenue connected with the monthly service offerings until the hardware components are installed and operating.

The Company takes steps to mitigate this uncertainty by encouraging customers to install hardware at their aircraft's earliest availability and works with them to provide the product 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 expense as possible, while installing as early as possible within the contract term. The Company's standard agreement requires payment a minimum of 45 days prior to the shipment of kits.

### ***Enterprise Network Risks***

The Company currently operates several different types of networks to provide its SaaS products to our customer base. UpTime Classic software services many of FLYHT's early adopters and is implemented on redundant fixed server platforms in Canada. CrossConsense hosts software services on redundant fixed server platforms in Germany. Other services are implemented in the AWS cloud in various regions. All the enterprise services exist with the possibility that their security could be compromised. FLYHT employs best practices to ensure that all services are as secure as practical and periodically engages third parties for security assessment and to test the penetrability of the systems according to best practices within the enterprise community. A security breach could expose data to external, unauthorized third parties, result in a limited loss of data and cause various contractual breaches. To date, no such breach has knowingly occurred on any of the Company's systems. FLYHT continues to make improvements to the security posture of systems, with a particular emphasis on transitioning systems to the cloud where it is contractually and financially viable.

### ***Foreign Currency Fluctuations***

The Company recognizes most of its sales in U.S. dollars with a lesser amount recognized in euros, so there is a risk of currency fluctuation. The major portion of operating and overhead costs are denominated in Canadian dollars, though certain payroll costs, costs of goods sold, marketing and distribution costs are U.S. dollar and euro denominated, and therefore create a partial 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, particularly on a value-added product such as the Company offers. To address this risk, FLYHT's sales team has developed several strategies. FLYHT has established a global sales presence, with agents responsible for every continent. While some economies of the world may be in a slump or downturn, FLYHT often finds success in growing markets. The Company also demonstrates to potential customers the impressive return on investment model, how quickly customers are able to improve operational efficiency, and ultimately how much AFIRS will save them in operating costs.

### ***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 enables the Company to complete STCs in a timely and cost-efficient manner. Similarly, the Company must interact with the FAA for its United States based STCs. The Company continually documents and distributes the specified knowledge among several key individuals. This reduces risk and ensures the Company can still function effectively were it to lose specialized staff.

### ***Revenues Associated with TAMDAR***

TAMDAR has been installed on almost 300 aircraft for the purpose of collecting weather data, which is supplemented with Aircraft Meteorological Data Relay ("AMDAR") weather data. FLYHT supplies collected weather data to Synoptic Data PBC as part of their participation in the National Mesonet program. FLYHT is receiving revenues from Synoptic based upon this participation, which is correlated to the number and quality of the weather soundings provided. If these observations fall in number or if they are not perceived to have the original perceived value, then the existing payments for the TAMDAR and AMDAR data could be diminished or stopped. This lack of perceived value could depend upon a variety of factors including procurement changes from the United States Government. FLYHT's strategy to mitigate these potential problems has been to invest in quality control programs to ensure that sensors are properly calibrated and producing valid and valuable data, and to supplement this data whenever possible with AMDAR weather data.



### **Employee Retention**

The high demand for technology workers, particularly in the areas of software development and data science, together with employee retention challenges faced by most companies, present challenges for FLYHT in attracting and retaining top talent. The pandemic related shift to remote-first workplaces has been both an opportunity and a threat to FLYHT. As FLYHT has embraced aspects of remote-first work, the Company has been able to benefit from a larger talent pool. Conversely, FLYHT employees are likely targets for recruitment. FLYHT mitigates this risk by encouraging a healthy work environment, work-life balance and competitive compensation.

### **Availability of Key Supplies**

FLYHT services its products differently, depending on the product.

- The AFIRS 220 is no longer in production and all units are repaired in-house at FLYHT. Certain parts can be delayed in shipping or availability, which could cause a delay in servicing the AFIRS 220. FLYHT aims to avoid the risk of not having the necessary supplies by managing existing inventories of key parts. Additionally, the Company maintains close communication with its partners and suppliers to manage key components for the AFIRS 220 units.
- Both the AFIRS 228 and AFIRS Edge units are assembled by contract manufacturers, with final manufacturing completed at FLYHT. The Company relies on partners, suppliers and special parts to complete unit builds. Certain parts could be delayed in shipping or availability, which can cause a delay in receiving newly built units. FLYHT aims to avoid the risk of not having the necessary supplies by managing inventories and storing extra key parts. Both contract manufacturers are global suppliers 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 units will be available in the future. Units are serviced in different ways; by the contract manufacturer, at FLYHT's facility or in the case of the AFIRS 228, by the Company's contract maintenance facility in China. Where a unit is repaired or serviced depends on a multitude of factors and is managed by FLYHT's customer support team.

### **Proprietary Protection**

Patent rights are important to the Company, with the AFIRS technology being one of the Company's primary revenue sources. 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.

In general, there are many risks associated with the pursuit, the prosecution, the ultimate receipt of and the enforceability or defense of patents. The scope of patent protection available to us in the United States and in other countries is uncertain. Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our inventions, obtain, maintain, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our owned patents.

The patent prosecution process is expensive, time-consuming, and complex, and we may not be able to file, prosecute, maintain, enforce, or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection.

Generally, the patent position of advanced technology companies is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability, and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or product candidates or which effectively prevent others from commercializing competitive technologies and products.

The ultimate outcome of any pending or allowed patent application we file is uncertain, and the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Any patents that we hold may be challenged, narrowed, circumvented, or invalidated by third parties. Consequently, FLYHT does not know with certainty whether our technology will be protectable or remain protected by valid and enforceable patents.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability and our patents may be challenged in the courts or patent offices in the United States and in other jurisdictions. Competitors may claim that they invented the inventions claimed in such issued patents or patent applications prior to our inventors or may have filed patent applications before our inventors did. A competitor may also claim that our products and services infringe its patents and that we therefore cannot practice our technology as claimed under our patent applications, if issued. Competitors may also contest our patents, if issued, by showing that the invention was not patent-eligible, was not novel, was obvious or that the patent claims failed to meet any other requirement for patentability.

### **Cyber Security Risk**

Cyber security includes the protection and resiliency of both the Company's corporate and customer facing systems from information disclosure, theft or damage to hardware, software, electronic data, as well as the disruption or misdirection of the services they provide. FLYHT is an IATA Aviation Cyber Security Strategic Partner, which provides FLYHT a key opportunity to contribute to the development of industry standards, influence the cyber security regulatory environment for aviation, and to collaborate with key aviation cyber security leaders, including major international airlines, equipment manufactures, and international regulatory bodies.

FLYHT has responded to the increase in cyber threats within our SecMS, with an emphasis on addressing these threats within the industry. Specifically, the Company has taken actions to assess potential threats, identify and implement recommendations, including the addition of dedicated resources to further harden our systems, and improve our preparedness.

### *Contractual Arrangement*

Certain of the Company's sales contracts require that, in the event the Chinese government restricts use of the Iridium satellite network, the Company may be required to repurchase, at discounted rates, certain AFIRS units. The Chinese government has continued with a process of issuing waivers for the use of the Iridium frequency to aircraft needed for usage in China. This is the same process that has been used for many years, but more recently they moved to issuing three-year grants to Iridium Satellite LLC. versus the former annual grant system. Given the prevalent use of Iridium services in China and the extensions of waivers reported by Iridium Satellite LLC, FLYHT believes the likelihood of a liability under these contracts is remote.

### *Transactions with Related Parties*

Since 2020, a company related to an officer of FLYHT has provided marketing services to FLYHT. A company related to a director of FLYHT provided financial consulting services from Q3 2021 to Q2 2022. All of the transactions with both related parties are considered in the normal course of business and have been measured at their exchange amount.

Amounts included in:	For the three months ended December 31		For the year ended December 31	
	2023 \$	2022 \$	2023 \$	2022 \$
Contract labour	37,500	30,000	107,500	153,271
Accounts payable	37,500	26,885	37,500	26,885

# CORPORATE INFORMATION

## Registrar and Transfer Agent

Odyssey Trust Company  
1.587.885.0960  
<https://odysseytrust.com/>

## Share Listing

Shares are traded on the TSX Venture Exchange (TSX.V: FLY) and the OTCQX Marketplace (OTCQX: FLYLF)

## Investor Relations

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Peter Large  
Nancy Young

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Mountain Hawk Capital Partners, LLC  
President, Marlin Ventures Ltd.  
Partner, Nanaimo Law  
Director  
Director  
Director

## Officers

Kent Jacobs  
Alana Forbes  
Darrel Deane  
Scott Chambers  
Gurjot Bhullar

President and Interim Chief Executive Officer  
Chief Financial Officer  
Vice President Solutions  
Vice President Sales and Marketing  
Vice President Operations

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