First Quarter 2014

FLYHT AEROSPACE SOLUTIONS LTD.

FINANCIAL STATEMENTS

FLYHT™
The Future of Connectivity

Auditors' Involvement

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

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

On behalf of the board

"Signed"
Director – Douglas Marlin

"Signed"
Director – Paul Takalo

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

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

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)

For the three months ended March 31, 2015 and 2014

	Share Capital	Convertible Debenture	Warrants	Contributed Surplus	Deficit	Total Equity (Deficit)
	$	$	$	$	$	$
Balance at December 31, 2014	53,496,969	220,700	163,771	7,865,143	(63,616,358)	(1,869,775)
Loss for the period	-	-	-	-	(60,414)	(60,414)
Total comprehensive loss for the period	-	-	-	-	(60,414)	(60,414)
Contributions by and distributions to owners						
Issue of common shares	62,000	(11,324)	-	103,966	-	154,642
Extension of debenture warrants	-	-	154,001	-	-	154,001
Total contributions by and distributions to owners	62,000	(11,324)	154,001	103,966	-	308,643
Balance at March 31, 2015	53,558,969	209,376	317,772	7,969,109	(63,676,772)	(1,621,546)
Balance at December 31, 2013	48,318,003	231,318	1,057,652	7,458,093	(59,337,473)	(2,272,407)
Loss for the period	-	-	-	-	(1,273,101)	(1,273,101)
Total comprehensive loss for the period	-	-	-	-	(1,273,101)	(1,273,101)
Contributions by and distributions to owners						
Issue of common shares	33,000	(6,041)	-	55,541	-	82,500
Share-based payment transactions	-	-	-	14,727	-	14,727
Share options exercised	250,783	-	-	(71,158)	-	179,625
Warrants exercised	1,407,761	-	(332,599)	-	-	1,075,162
Total contributions by and distributions to owners	1,691,544	(6,041)	(332,599)	(890)	-	1,352,014
Balance at March 31, 2014	50,009,547	225,277	725,053	7,457,203	(60,610,574)	(2,193,494)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

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

The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2015 and 2014 consist of the Company and its subsidiaries.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Going concern

These condensed consolidated interim financial statements have been prepared on the basis that the Company will continue to realize its assets and meet its obligations in the ordinary course of business. As at March 31, 2015, the Company had positive working capital of $3,087,238, a deficit of $63,676,772, a net loss of $60,414 and negative cash flow used in operating activities of $1,658,225 for the quarter.

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

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

3. Significant accounting policies

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

4. Determination of fair values

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

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

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

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

5. Earnings per share

Basic earnings per share

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

6. Operating segments

The Company has one operating segment.

Geographical Information

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

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

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

Major customers

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

CORPORATE INFORMATION

Registrar and Transfer Agent

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

Share Listing

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

Investor Relations

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

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

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

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

Directors

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

Officers

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

Auditor

KPMG LLP — Calgary, Alberta

Legal Counsel

Chris Croteau — Tingle Merrett LLP, Calgary, Alberta

Head Office

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