Third Quarter 2015

FLYHT AEROSPACE SOLUTIONS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

FLYHT™
The Future of Connectivity

LETTER TO SHAREHOLDERS

To our loyal shareholders and supporters:

It is an exciting time to be at FLYHT (the "Company"), a company providing formative leadership in the changing connected aircraft landscape. I am very happy to have been selected to lead the Company as your new chief executive officer.

As an update on financials from the third quarter of 2015, we are especially pleased that our sales focus on our Chinese customers' needs to meet the Civil Aviation Administration of China ("CAAC") Satcom mandate has begun to show better results; shipments are slowly increasing and we are now making sales through both our in-country partner and by direct contract with new customers. The current year spare parts revenue is now approximately equivalent to revenue on the AFIRS™ sales, which demonstrates an increasing contribution from our modem and license fee customer. Shareholders will recall that the 2014 results were favourably impacted by reversal of a $1.95 million provision for legal claim back to income; we are excited to report that the current year results, although still a loss, are a 59% improvement on those results (or 81% less operating loss when that abnormal provision reversal is excluded).

Revenue in this quarter rebounded to $2.5 million ($50k short of our best revenue quarter ever), a 39% increase on the same quarter in 2014. Additionally, the loss for the quarter was $683 thousand, a significant improvement on the $1.7 million lost in third quarter 2014. Cash absorbed by operations was $606 thousand; however $296 thousand is included on the balance sheet as an increase in AFIRS kits that have been shipped though not yet installed or kits to be shipped in the early part of the fourth quarter. The potential of a strong start to the fourth quarter is also visible in the $628 thousand increase in unearned revenue balance in the third quarter when compared to the second.

On the sales front, FLYHT continued to secure new contracts in the third quarter of this year. In September we achieved the Company's biggest order in its history with the sale of AFIRS to Avmax Group, Inc. As mentioned in the second quarter report and letter, David Perez joined the Company to lead our sales efforts. His team has been targeting airlines to build the sales pipeline. The Ascend team continues to present opportunities and have provided qualified leads. In the fourth quarter, we will continue to work the sales funnel and focus on opportunities with airlines and OEMs who are interested in our connected aircraft data processing technology. We want to leverage our existing products and certifications as broadly as possible and also look for the right opportunities to build new products in order to expand the reach of our capabilities.

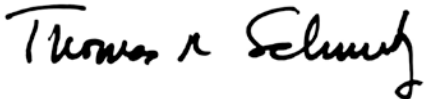
As a personal background and introduction, my story with FLYHT started about eight years ago while at L-3 Communications. My first vivid memory of FLYHT was reading about the Company's real-time tracking and triggered transmission of flight recorder (black box) data on internet discussion boards after the Air France 447 disaster in 2009. It caught my attention because I was responsible for L-3's technology, including flight recording systems. My visit to Calgary with a member of our sales team led to the creation of a cooperative agreement between FLYHT and L-3. Fast forward to 2012 and this relationship grew into a supplier agreement to provide satellite communications equipment for A320 and A330 aircraft. This program continues and the relationship between the organizations continues to grow.

Unfortunately, there have been other aviation incidents since AF447, most infamously the disappearance of Malaysian airlines MH370. These incidents have led to significant shifts in industry views of connected aircraft services; shifts that I consider to be permanent changes. FLYHT has the real-time data streaming technology which is fundamental to this new paradigm. It was my desire to take a more significant role in shaping this change, leading me to pursue the leadership position at FLYHT as soon as I became aware of the opportunity. FLYHT also has the installation certifications to enable the capability on the majority of airlines. There are several very exciting opportunities in the sales pipeline and my initial impressions are that the FLYHT team is extremely capable and is working very hard on converting these opportunities into solid business. Over the next few weeks, the team and I will establish goals for 2016 and review our strategies, processes and priorities as part of my on-boarding process.

On behalf of FLYHT staff, shareholders and the board of directors we would be remiss if we did not take the time to thank those who have taken such a large role in growing FLYHT into the aviation technology leader it is today. We take this time to thank Bill Tempany for his service to the Company and look forward to his continued involvement as chairman of the board. Matt Bradley has done a tremendous job as President; his contribution will be sadly missed but we sincerely wish him the best in his future endeavours.

I look forward to serving the Company and thank the management and staff for their energy and welcoming attitude, and the shareholders for your ongoing support.

Yours truly,



Thomas R. Schmutz, Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis ("MD&A") is as of November 3, 2015 and should be read in conjunction with the condensed consolidated interim financial statements of FLYHT Aerospace Solutions Ltd. ("FLYHT" or the "Company") as at and for the three and nine months ended September 30, 2015 and 2014 and the accompanying notes. Additional information with respect to FLYHT can be found on SEDAR at www.sedar.com. The Company has prepared its September 30, 2015 condensed consolidated interim financial statements and the notes thereto in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended December 31, 2014.

Non-GAAP Financial Measures

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

Forward-Looking Statements

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

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

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

FLYHT Overview

FLYHT is a designer, developer and service provider of innovative solutions to the global aerospace industry. The Company's solutions improve the productivity and profitability of its customers and enable communication between pilots and ground support. FLYHT's tools deliver data and voice communication between the aircraft and operations groups on the ground, on demand. The Company's products are available for commercial, business and military aircraft. FLYHT's triggered data streaming program, FLYHTStream™, can stream position reports and data from an aircraft in flight to ground support in real time. FLYHT's products and services are marketed globally by a team of employees and agents based in Canada, the United States, China, the United Kingdom, Singapore, and Abu Dhabi. In the second quarter of 2015 FLYHT also engaged with a third party sales team, Ascend Aero, with wide sales representation throughout the world including Thailand, India, Ireland and Brazil.

AFIRS™ and UpTime™

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

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

FLYHTStream™

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

FLYHTFuel

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

FLYHTSafe

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

FLYHTFollow

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

The Dragon™

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

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

Underfloor Stowage Unit

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

System Approvals

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

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

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

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

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

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

TCCA		FAA		EASA		CAAC		ANAC		
220	**228**	**220**	**228**	**220**	**228**	**220**	**228**	**220**	**228**	
A	A	A	A	A	A	A	A			**Airbus A319, A320, A321**
A										**Airbus A330**
	A		I						A	**ATR-42, -72 - 200/300**
	I				I					**ATR-42, -72- 500**
A		A		A		A				**Boeing B737 -200**
A	A	A	P	A	P	A	IP		P	**Boeing B737 -300, -400, -500**
A	A	A	A	A	P	A	A		P	**Boeing B737 -600, -700, -800**
	A									**Boeing 747-200**
A	A	A	IP	A	IP	A	IP			**Boeing 757 -200**
A	A	A	A	A	P	A	IP			**Boeing 767 -200, -300**
	A		A							**Boeing B777**
A	P	A		A						**Bombardier DHC 8 -100, -200, -300**
A	P						IP			**Bombardier DHC 8 -400**
A	I	A		A						**Bombardier CRJ 100, 200, 440**
	A						A			**Bombardier CRJ -700, 900**
A		A								**McDonnell Douglas DC-10 (KC-10 military)**
	A		P							**McDonnell Douglas MD-82/83**
A										**Fokker 100**
A	A	A	A	A	A					**Hawker Beechcraft -750, 800XP, 850XP, 900XP**
A										**Viking Air DHC -7 (LSTC)**
	I									**Embraer EMB 190**
		A								**Embraer Legacy 600 and EMB – 135/145**

AFIRS 220 or 228 model

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

Trends and Economic Factors

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

FLYHT aims to present data from a combination of industry organizations as well as airlines. Due to the timing of this report, the industry releases had not yet been distributed. They can generally be found five to six weeks after the quarter-end through IATA and GAMA. IATA, the International Air Transport Association, shares passenger traffic (measured in Revenue Passenger Kilometers or "RPK") and global freight traffic (measured in Freight Tonne Kilometers or "FTK") as contributions to airline revenue.[1] These are significant measures to determine the health of the industry because the larger the increase, the more people are flying and shipping freight, suggesting growth in the industry. The General Aviation Manufacturers Association ("GAMA") reports on the general aviation industry's shipments.[2]

The majority of the large commercial aircraft manufacturers recorded solid numbers for deliveries and new orders in the third quarter of 2015. Boeing echoed their second quarter results and continued to see record commercial deliveries with 199 aircraft delivered in Q3 2015, a 7% increase from the previous year's third quarter.[3] Airbus measures their results in the period for the first nine months of the year and also saw an increase in deliveries of 8% over the same period in 2014.[4] Embraer delivered a total of 21 commercial and 30 executive jets in the third quarter of 2015. Embraer's deliveries were 50% higher than the third quarter of 2014.[5] Bombardier delivered 14 commercial aircraft in the third quarter versus 26 in the third quarter of 2014. Business jets were stronger, with 43 delivered compared to 45 in the same quarter of 2014.[6]

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

The changes of the Canadian dollar relative to the U.S. dollar throughout Q3 2015 had a positive impact on the Company's revenue and income compared to Q3 2014. As a result of these currency movements, the Company's Q3 revenues, which are substantially all denominated in U.S. dollars, were higher than they would have been had the foreign exchange rates not changed. It is the standard of the aviation industry to conduct business in U.S. dollars. While the majority of the Company's operating and overhead costs are denominated in Canadian dollars, a significant portion of the cost of sales, marketing and distribution costs are U.S. dollar denominated, and therefore a natural hedge exists against fluctuations of the Canadian dollar.

Contracts and Achievements of Q3 2015

Contracts

In the third quarter of 2015 FLYHT signed one contract and extended another for a combined 169 aircraft worldwide. All were for the AFIRS 228. The details of these contracts were as follows:

In July, FLYHT extended its contract with a Middle Eastern Military Customer for voice and data services on 23 C-130 aircraft.

In September, FLYHT signed a contract with Avmax Group Inc. to install the AFIRS 228 on the two airlines Avmax owns, as well as its current and future leased fleet, for a total fleet size of 146 aircraft over a seven year term.

Achievements

In July, FLYHT welcomed Mr. David Perez as Vice President, Sales and Marketing. Mr. Perez has over 25-years of experience in the aviation industry.

In August, FLYHT was selected by the Alberta Venture Magazine in a list of 20 most innovative companies.

In October, subsequent to the end of the third quarter, FLYHT announced appointment of Mr. Thomas R. Schmutz as new CEO of the Company. In a career of more than 30 years, he gained extensive experience in senior leadership roles in the aerospace and telecommunications industries.

[1] http://www.iata.org/pressroom/pages/index.aspx
[2] http://gama.aero/media-center/press-releases
[3] http://boeing.mediaroom.com/2015-10-21-Boeing-Reports-Strong-Third-Quarter-Results-Raises-Revenue-EPS-and-Cash-Flow-Guidance
[4] http://www.airbusgroup.com/int/en/news-media/press-releases/Airbus-Group/Financial_Communication/2015/10/20151030_airbus_group_q3_financial_disclosure.html
[5] http://www.embraer.com/en-US/ImprensaEventos/Press-releases/noticias/Pages/Embraer-entrega-21-jatos-comerciais-e-30-executivos-no-3o-trimestre-de-2015.aspx
[6] http://www.bombardier.com/en/media/newsList/details.binc-20151029-bombardier-announces-financial-results-for-the-thi.bombardiercom.html

Results of Operations – three and nine months ended September 30, 2015 and 2014

Selected Results

	Q3 2015 $	Q2 2015 $	Q1 2015 $	Q4 2014 $
Assets	6,140,675	6,344,752	7,752,509	8,275,546
Non-current financial liabilities	3,267,030	3,053,577	5,545,209	5,506,179
Revenue	2,519,347	1,598,603	2,569,908	2,218,681
Loss	683,224	1,943,924	60,414	1,305,712
Loss (Income) before R&D	45,120	1,205,956	(676,871)	532,986
Loss per share (basic & fully diluted)	0.00	0.01	0.00	0.01
	Q3 2014 $	**Q2 2014 $**	**Q1 2014 $**	**Q4 2013 $**
Assets	8,968,372	10,281,225	9,734,630	8,435,962
Non-current financial liabilities	2,728,769	2,433,044	2,262,812	1,992,028
Revenue	1,808,794	1,505,767	1,348,786	1,936,757
Loss	1,653,147	46,925	1,273,101	1,438,795
Loss before R&D	805,028	1,324,716	838,406	745,444
Loss per share (basic & fully diluted)	0.01	0.00	0.01	0.01

Financial Position

Liquidity and Capital Resource

The Company's cash at September 30, 2015 decreased to $1,296,710 from $3,910,962 at December 31, 2014. The Company has an available and undrawn operating line of $250,000 at Canadian chartered bank prime plus 1.5%, secured by assignment of cash collateral and a general security agreement.

At September 30, 2015, the Company had negative working capital of $1,119,780 compared to positive $3,009,025 as of December 31, 2014, a decrease of $4,128,805. Neither customer deposits, nor the current portion of unearned revenue are refundable, and if those two items are excluded in the working capital calculation, the resulting modified working capital at September 30, 2015 would be positive $1,077,505 compared to positive $5,283,775 at December 31, 2014.

The Company funded Q3 2015 operations primarily through cash received from sales. The Company believes that if funding is required to meet cash flow requirements throughout the remainder of 2015 and into 2016, it will be raised either through debt or equity instruments.

	September 30, 2015 $	December 31, 2014 $	Variance $
Cash and cash equivalents	1,296,710	3,910,962	(2,614,252)
Restricted cash	250,000	250,000	-
Trade and other receivables	1,155,926	959,786	196,140
Deposits and prepaid expenses	192,393	183,750	8,643
Inventory	2,165,821	1,917,249	248,572
Trade payables and accrued liabilities	(1,437,888)	(2,129,622)	691,734
Unearned revenue	(1,672,960)	(1,484,345)	(188,615)
Loans and borrowings	(3,040,218)	(572,782)	(2,467,436)
Finance lease obligations	(27,419)	(25,973)	(1,446)
Current tax liabilities	(2,145)	-	(2,145)
Working capital	**(1,119,780)**	**3,009,025**	**(4,128,805)**
Unearned revenue	1,672,960	1,484,345	188,615
Customer deposits	524,325	790,405	(266,080)
Modified working capital	**1,077,505**	**5,283,775**	**(4,206,270)**

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

In the second quarter of 2015, the exercise of 100,000 options at $0.25 resulted in proceeds of $25,000.

On July 29, 2015 FLYHT entered into an agreement pursuant to which the Company would offer for sale on a private placement basis up to 30 million units at a price of $0.17 USD ($0.22 CAD) per unit for gross proceeds of up to $5.1 million USD. Each unit to consist of one common share and one-half of one common share purchase warrant (each whole warrant referred to as a "Warrant") of the Company. Each Warrant would entitle the holder to acquire one common share at a price of $0.25 USD ($0.32 CAD) for a period of three years from the date of issuance of the warrant. In consideration for its services, the issuing agent would receive a fee equal to 8% of the gross proceeds raised as well as agent warrants in an amount equal to 8% of the aggregate number of units sold by the agent. Each agent warrant would be exercisable for a period of three years from the date of issuance into one common share at a price equal to $0.17 USD ($0.22 CAD) per share. All of the securities issued would be subject to a four-month hold period. Completion of the offering was subject to the final approval of the TSX Venture Exchange. The placement was approved by the TSX Venture Exchange but withdrawn by the Company after quarter end as market conditions were not conducive to closing this U.S. based offering.

As at November 3, 2015, FLYHT's issued and outstanding share capital was 172,435,135.

The achievement of positive earnings before interest and amortization is necessary before the Company can improve liquidity. The Company has continued to expand its cash flow potential through its continued marketing drive to clients around the world. Management believes that the Company's installation momentum, conversion of installations to recurring revenue, new revenue streams, and ongoing sales will be sufficient to meet standard liquidity requirements going forward. To continue as a going concern, the Company will need to attain profitability and/or obtain additional financing to fund ongoing operations. If general economic conditions in the industry or the financial condition of a major customer deteriorates, or if sufficient funds are not available to extinguish the debentures coming due in June 2016, then the Company may have to scale back operations to create positive cash flow from existing revenue and/or raise the necessary financing in the capital markets. It is the Company's intention to continue to fund operations by adding revenue and its resulting cash flow as well as continue to manage outgoing cash flows. If the need arises due to market opportunities, the Company may meet those needs via the capital markets. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Financial Instruments

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

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

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

Contractual Obligations

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

September 30, 2015	**< 2 months $**	**2-12 months $**	**1-2 years $**	**2-5 years $**	**> 5 years $**	**Total $**
Accounts payable	506,333	2,692	-	-	-	509,025
Compensation and statutory deductions	142,974	133,067	-	-	-	276,041
Finance lease liabilities	4,970	24,850	24,611	-	-	53,071
Accrued liabilities	40,735	63,150	-	24,611	-	128,496
Loans and borrowings	-	3,052,581	3,197,670	414,386	1,212,427	7,877,064
Total	**695,012**	**3,276,340**	**3,220,921**	**438,997**	**1,212,427**	**8,843,697**

Under SADI, the Company has, at September 30, 2015, an outstanding repayable balance of $1,820,816, compared to $1,899,278 at December 31, 2014. The amount is repayable over 15 years on a stepped basis commencing April 30, 2014. The initial payment

on April 30, 2014 was 3.5% of the total contribution received and the payment increases yearly by 15% until April 30, 2028 when the final payment will be 24.5% of the total contribution received.

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

The debenture issued in two tranches on April 18 and May 28, 2013 has a face value of $2,110,000. The debentures mature on June 30, 2016 and bear interest at a rate of 12% per annum on the contributed amounts, which has been accrued and paid annually in arrears commencing December 1, 2013. Purchasers of the debentures received a capital discount premium of 10% on the financing, meaning that for every $1.00 debenture acquired, FLYHT shall owe principal equal to $1.10 to the debenture holder on the maturity date.

During the third quarter of 2015, FLYHT did not enter into any new lease agreements. Minimum lease payments are as follows. The imputed interest included in the payments is $2,916 (December 31, 2014 - $5,980) leaving a total obligation of $50,155 (December 31, 2014 - $69,451).

Year	Total $
2015	7,455
2016	29,820
2017	15,796
Total	**53,071**

Customer Deposits

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

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

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

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

The chart below outlines the movement in the Company's customer deposits throughout the periods ending September 30, 2015 and 2014. Payment was received for 10 installation kits in the third quarter of 2015 compared to 6 received in the third quarter of 2014. YTD, payment has been received for 25 installation kits, compared to 48 in 2014.

	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Opening balance	864,332	1,238,458	(374,126)	790,405	551,227	239,178
Payments received	824,409	452,449	371,960	1,598,970	2,187,243	(588,273)
Moved to unearned revenue	(1,164,416)	(620,053)	(544,363)	(1,865,050)	(1,667,616)	(197,434)
Balance, September 30	**524,325**	**1,070,854**	**(546,529)**	**524,325**	**1,070,854**	**(546,529)**

Unearned Revenue

The chart below outlines the movement in the Company's unearned revenue throughout the periods ending September 30, 2015 and 2014. Revenue was recognized for 8 installation kits in 2015's third quarter compared to 13 in the third quarter of 2014. YTD, revenue has been recognized for 30 installation kits, compared to 32 in 2014. In the third quarter of 2015, 4.7% of the unearned revenue balance at December 31, 2014 was recognized as earned revenue (Q3 2014: 0.4%).

	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Opening balance	1,236,476	1,283,006	(46,530)	1,675,747	1,103,834	571,913
AFIRS sales: shipped, not accepted	1,164,416	620,053	544,363	1,865,050	1,667,616	197,434
Voice and data services: prepaid	-	-	-	-	76,122	(76,122)
AFIRS sales: revenue recognized	(474,397)	(608,353)	133,956	(1,606,321)	(1,496,656)	(109,665)
Voice and data services: revenue recognized	(3,990)	(22,500)	18,510	(11,971)	(78,710)	66,739
Balance, September 30	**1,922,505**	**1,272,206**	**650,299**	**1,922,505**	**1,272,206**	**650,299**

Comprehensive Income

Revenue

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

Revenue sources

	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Voice and data services	1,100,238	927,117	173,121	2,918,919	2,741,697	177,222
AFIRS sales	613,229	609,085	4,144	1,797,862	1,434,475	363,387
Parts sales	682,476	148,198	534,278	1,808,297	263,271	1,545,026
Services	123,404	124,394	(990)	162,780	223,904	(61,124)
Total	**2,519,347**	**1,808,794**	710,553	**6,687,858**	**4,663,347**	**2,024,511**

Overall, total revenue increased 39.3% from $1,808,794 in Q3 2014 to $2,519,347 in Q3 2015.

Voice and data services increased both in the quarter and YTD. Recurring revenue accounted for 43.7% of revenue in Q3 2015 (Q3 2014: 51.3%). The decreased percentage is largely due to the increases in Parts sales, which exceed the relative difference in Voice and data services compared to Q3 2014. Recurring revenue from FLYHT's existing client base is expected to expand throughout 2015 and future years.

AFIRS sales increased YTD, mainly due to a higher average revenue per installation kit in 2015 compared to 2014.

Parts sales increased as a result of large orders of modems with related license fees in 2015, both in the quarter and YTD.

Services revenue decreased both in the quarter and YTD due to a lower number of technical services billed in 2015.

Geographical sources of revenue

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

	Q3 2015 $	Q3 2014 $	YTD 2015 $	YTD 2014 $
North America	1,293,811	807,544	3,775,843	2,105,686
South/Central America	92,998	76,922	227,563	237,183
Africa/Middle East	462,047	201,574	845,660	825,334
Europe	77,409	139,022	290,655	263,033
Australasia	159,640	146,682	479,187	514,444
Asia	433,442	437,050	1,068,950	717,667
Total	**2,519,347**	**1,808,794**	**6,687,858**	**4,663,347**

	Q3 2015 %	Q3 2014 %	YTD 2015 %	YTD 2014 %
North America	51.4	44.6	56.5	45.2
South/Central America	3.7	4.3	3.4	5.1
Africa/Middle East	18.3	11.1	12.6	17.7
Europe	3.1	7.7	4.3	5.6
Australasia	6.3	8.1	7.2	11.0
Asia	17.2	24.2	16.0	15.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

Gross Profit and Cost of Sales

FLYHT's cost of sales includes the direct costs associated with specific revenue types, including the AFIRS unit, installation kits, training and installation support, as well as associated shipping expenses and travel expenses for the Company's engineering personnel while performing on-site installation support. Installations on aircraft are performed by third parties at the customer's expense. Cost of sales as a percentage of revenue in the third quarter of 2015 was 26.7% compared to 36.3% in 2014's third quarter. The decrease was due to a difference in the mix of revenue sources, as Voice and data services, Parts sales, and Services have higher margins than AFIRS sales. Gross margin will fluctuate quarter over quarter depending on customer needs and revenue mix.

Gross margin for the last eight quarters was:

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Gross margin %	73.3	64.8	75.2	61.7	63.7	59.8	67.4	60.4
Cost of sales %	26.7	35.2	24.8	38.3	36.3	40.2	32.6	39.6

Distribution Expenses

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

Major Category	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	616,741	456,870	159,871	1,384,654	1,288,257	96,397
Share based compensation	27,755	-	27,755	93,050	74,501	18,549
Contract labour	276,112	59,034	217,078	624,704	256,746	367,958
Office	78,087	63,611	14,476	216,696	208,773	7,923
Travel	118,116	109,178	8,938	327,868	364,924	(37,056)
Equipment and maintenance	10,719	1,354	9,365	45,268	16,417	28,851
Depreciation	8,302	9,200	(898)	20,455	25,177	(4,722)
Marketing	6,088	22,393	(16,305)	78,555	43,303	35,252
Other	166	84,411	(84,245)	101,940	124,243	(22,303)
Total	**1,142,086**	**806,051**	**336,035**	**2,893,190**	**2,402,341**	**490,849**

Salaries and benefits increased in the quarter and YTD mainly due to differences in allocations between Distribution cost centres and R&D, together with increased sales and customer satisfaction staff.

Share based compensation increases were the result of options issued to new staff in Q3. There were no similar transactions in Q3 2014.

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

Office expenses increased in Q3 due to increases in rent allocation and communication costs.

Travel expense has decreased YTD mainly due to decreased travel associated with major sales and customer satisfaction activities early in 2015 as compared to 2014.

Equipment and maintenance expenses increased in the quarter and YTD due to the purchase of equipment used to demonstrate FLYHT's services to prospective customers.

Marketing expense has increased YTD mainly due to the creation in Q1 2015 of a video communicating the FLYHTStream product together with a presence at an industry tradeshow in China in Q2 2015. QTD, the Company attended a tradeshow in Russia in Q3 2014 which was not attended in 2015.

Other expenses decreased due to changes in bad debt reserve requirements.

Administration Expenses

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

Major Category	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	277,277	509,877	(232,600)	913,760	1,116,277	(202,517)
Share based compensation	12,810	69,577	(56,767)	238,909	415,256	(176,347)
Contract labour	19,783	118,208	(98,425)	101,570	184,817	(83,247)
Office	63,814	60,890	2,924	195,778	214,088	(18,310)
Legal fees	37,048	25,407	11,641	69,148	108,779	(39,631)
Audit and accounting	36,190	34,000	2,190	61,840	109,938	(48,098)
Investor relations	65,700	71,992	(6,292)	250,809	286,616	(35,807)
Brokerage, stock exchange, and transfer agent fees	7,020	12,843	(5,823)	55,943	63,960	(8,017)
Travel	59,049	52,439	6,610	150,484	161,520	(11,036)
Equipment and maintenance	25,136	17,032	8,104	52,185	52,168	17
Depreciation	2,423	4,240	(1,817)	7,794	14,458	(6,664)
Other	1,505	9,251	(7,746)	4,937	40,602	(35,665)
Total	**607,755**	**985,756**	**(378,001)**	**2,103,157**	**2,768,479**	**(665,322)**

Salaries and benefits decreased in the quarter and YTD mainly due to the 2014 separation payments for our retiring CFO; there was no similar events in 2015.

Share based compensation decreased in Q3 due to a lower number of options granted in the period in 2015. The YTD increase is also due to a lower estimated fair value of options granted in Q2 2015 compared to the options granted in Q2 2014.

Contract labour decreased YTD compared to 2014 as a result of recruitment fees paid in 2014 that did not recur in 2015.

Office expenses decreased YTD 2015 compared to 2014 mainly as the result of decreased rent with the move to the new office space in Q1 2014 and a change in rent allocation, together with decreased communication costs.

Legal fees decreased YTD as a result of the one-time requirements relating to the Company's listing on the OTCQX in Q2 2014 as well as a decrease in general corporate legal reviews.

Audit and accounting decreased expenses YTD are mainly due to service adjustments.

Investor relations expenses have decreased both in the quarter and YTD as the result of the one-time requirements relating to the Company's listing on the OTCQX in Q2 2014, offset partially by an increased presence at tradeshows throughout 2015.

Travel expenses decreased YTD mainly as the result of reduced travel requirements for investor relations activities, including non-recurring travel in Q2 2014 relating to industry group meetings following the disappearance of Malaysian Airlines flight MH370.

Other expense decrease was related to the non-recurrence of the office move expenses of 2014.

Research, Development and Certification Engineering Expenses (Recovery)

Major Category	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	443,473	537,042	(93,569)	1,490,374	1,446,793	43,581
Share based compensation	-	-	-	76,646	86,341	(9,695)
Contract labour	78,997	175,841	(96,844)	434,615	366,673	67,942
Office	52,464	80,195	(27,731)	167,406	201,310	(33,904)
Travel	12,181	6,230	5,951	45,241	26,656	18,585
Equipment and maintenance	15,070	3,635	11,435	44,674	17,145	27,529
Components	12,028	36,489	(24,461)	37,418	16,600	20,818
SRED credit	-	-	-	(216,708)	(241,353)	24,645
Depreciation	3,826	8,687	(4,861)	13,626	23,756	(10,130)
Other	20,065	-	20,065	20,065	12,060	8,005
SNC litigation settlement	-	-	-	-	(1,950,957)	1,950,957
Total	**638,104**	**848,119**	**(210,015)**	**2,113,357**	**5,024**	**2,108,333**

Salaries and benefits expended in this category decreased from Q3 2014 to Q3 2015 while increasing YTD, partially due to time committed to increased revenue sources for UpTime applications and enhancements to FLYHTStream in Q1 2015. People costs will fluctuate with customer and industry demands for new products and enhancements of existing products, as well as differences in allocations between Distribution cost centres and R&D.

Contract labour has decreased in the quarter due to non-recurring expenses of a certification engineering consultant required to complete a time-sensitive STC together with the use of a software development consultant for two short-term projects in Q3 2014. Contract labour increased YTD mainly due to certification engineering on a time-sensitive STC in Q1 2015 together with increased software development needs in Q2 2015.

Office expenses decreased as a result of decreased legal fees, as resources similar to those required in Q2 2014 to finalize the settlement with Sierra Nevada Corporation ("SNC") were not required in Q2 2015. Legal fees required to establish and defend patents also decreased from Q3 2014 to Q3 2015.

Travel expenses increased due to increased hardware testing and associated test flights.

Equipment and maintenance expenses increased both QTD and YTD in 2015 due to additional software and associated licensing fees required for research and development activities.

Components expenses were lower in the quarter as parts required for use in development and testing activities was lower in Q3 2015. The decrease in the quarter was offset YTD due to the recovery in Q1 2014 attributable to movement of parts purchased for Dragon development into production units for customers.

SRED credit variance YTD is due to a decrease in the expenses in 2015, compared to 2014, that qualify for the refundable tax credit under the Canada Revenue Agency's Scientific Research and Experimental Development ("SRED") program. Annual claims will fluctuate based on differences in qualifying R&D activities and associated costs.

Other expense variances were due to relocation costs in Q2 2014 and Q3 2015.

SNC litigation settlement recovery shown in 2014 was the result of the settlement of the dispute with SNC and the reversal of the related liability accrual.

Net Finance Costs

Major Category	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Interest (income)	(2,128)	(2,000)	(128)	(2,128)	(2,000)	(128)
Net foreign exchange loss (gain)	(85,153)	(99,859)	14,706	(262,968)	(16,939)	(246,029)
Bank service charges	6,015	4,932	1,083	16,347	16,642	(295)
Interest expense	912	957	(45)	3,096	2,797	299
Government grant accretion	40,776	37,238	3,538	120,740	110,073	10,667
Debenture interest and accretion	177,027	203,117	(26,090)	507,721	584,467	(76,746)
Debenture cost amortization	2,691	21,822	(19,131)	7,986	64,753	(56,767)
Net finance costs	**140,140**	**166,207**	**(26,067)**	**390,794**	**759,793**	**(368,999)**

Net foreign exchange gain will vary between periods due to fluctuations in the value of the Canadian dollar in relation to the U.S. dollar. In the quarter, changes in the Canadian dollar have given rise to decreased foreign exchange gains on U.S. dollar denominated sales and purchases, in combination with fluctuations in U.S. denominated assets and liabilities. The opposite effect is seen YTD.

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

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

Net Loss

Major Category	Q3 2015 $	Q3 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Net loss	683,224	1,653,147	(969,923)	2,687,562	2,973,174	(285,612)
Net loss without R&D	45,120	805,028	(759,908)	574,205	2,968,150	(2,393,945)

Foreign Exchange

All international and a majority of domestic sales of the Company's products and services are denominated in U.S. dollars. Accordingly, the Company is susceptible to foreign exchange fluctuations. In Q3 2015, 98.5% of the Company's gross sales were made in U.S. dollars, compared to 94.5% in Q3 2014. The Company expects this to continue as the aviation industry conducts the majority of its transactions in U.S. dollars, thus limiting the opportunity for sales in Canadian dollars or other major currencies. The Company also contracts in U.S. dollars for certain services and products related to cost of sales, which creates a natural hedge.

Other

Recent Accounting Pronouncements

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

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

IFRS 15 – Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfer of Assets from Customers, and SIC 31 - Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs (January 1, 2018).

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

Risks and Uncertainties

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

Installations at c-checks

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

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

Foreign currency fluctuations

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

General economic and financial market conditions

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

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

Dependence on key personnel and consultants

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

Dependence on new products

Over the past few years, the Company has been in the R&D stage of its next generation product, AFIRS 228. FLYHT is confident the product fills a gap in the industry, as evidenced by sales of the AFIRS 228 throughout 2013 and 2014. Through 2014 and 2015 FLYHT has been working to increase certification of the 228 from an 'E' to a 'D' level certification at the request of customers; once certified it will again increase the market for the Company's product. FLYHT released the Dragon in the fall of 2013, expanding into the sector within the industry that required a portable satellite communications device to meet general aviation operators' need for increased connectivity. The Company's success will ultimately depend on the success of both products, and future enhancements made to both.

Availability of key supplies

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

Proprietary protection

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

Transactions with Related Parties

In the third quarter, the Company entered into an agreement with a company with ownership related to an officer of FLYHT to supply consulting services in application user experience for use in enhancing the Company's ground based software.

	Included in contract labour:				**Included in accounts payable and accrued liabilities:**	
	For the three months ended September 30		**For the year ended September 30**		**September 30**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**
Consulting fees	3,500	-	7,500	-	3,500	-
Total	**3,500**	**-**	**7,500**	**-**	**3,500**	**-**

All of the transactions with the related parties were amounts that were agreed upon by the parties and approximated fair value. All other transactions with related parties were normal business transactions related to their positions within the Company.

Subsequent Events

On October 19, 2015 Tom Schmutz, MEng, MBA, was appointed the new chief executive officer of the Company. Bill Tempany retired from his role as CEO, but will remain on the board of directors and was appointed the Chairman of the board. In addition, Matt Bradley resigned from his position as President of the Company to pursue new career opportunities. This change in control triggered clauses in existing employees' employment contracts for payments totaling $794,000. Of this remuneration, the Company anticipates $320,000 will be paid in Q4 2015 with the remainder paid over a period not to extend beyond December 31, 2018.

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 and nine months ended September 30, 2015 and September 30, 2014.