FLYHT AEROSPACE SOLUTIONS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS 2015



FLYHT™
The Future of Connectivity

To Our Shareholders



The 2015 financial year was a period full of accomplishment for FLYHT; we set "best revenue" records for our financial performance, we made excellent progress on our stated goals for the year, we further enhanced our board of directors and sales team and we won awards in the industry and community.

Furthermore, we smoothly transferred executive control of the Company, reorganized internally and adopted several new approaches, standards and goals for the year 2016 and beyond. There is significant optimism within the Company resulting from our improving financial performance and strong feedback from OEM and solution partners that the unique offerings of FLYHT are now timely and are recognized to solve important problems within our industry.

The 2015 year ended with a record revenue fourth quarter (Q4) of $3.8 million, or 46.7% higher than the previous record quarter, which was the first quarter (Q1) of the same year. Q1 was itself only $51k ahead of the third quarter (Q3) of 2015! So, the three highest revenue quarters in our history were all achieved in 2015. The resulting $10.5M annual revenue for 2015 was also a revenue record, a 51.9% improvement on 2014 and 30.7% ahead of the previous best year in 2013. The additional revenue fell to the bottom line but an operating loss of $3.2 million was still reported for 2015. This was $0.4 million less loss than 2014 but, if we remove the impact of the one-time add back in 2014 of the $1.95 million SNC legal claim provision and the impact of the costs of retirement and changes in key management positions in both 2014 and 2015, the normalized comprehensive loss has decreased 49% or $2.5 million. Noteworthy financial progress has been made, but we need to do more in order to internally fund our operations and produce returns for our loyal shareholders.

The Company utilized net $2.9 million cash during the year because of the losses, but it is also pleasing to report that the cash balance reported at December 31, 2015 is $5,000 more than that at September 30, 2015. FLYHT progressively self-funded more of its operations, or consumed less cash, each quarter, from $1.7 million utilized in Q1, to $0.6 million utilized in Q2 and Q3 to neutral in Q4. Working capital items were well controlled so did not contribute to a cash burn. The redeemable and convertible debentures mature within the coming twelve months and therefore they are now classified as current liabilities on the statement of financial position. Management is addressing this debt and the Company continues to strive to self-fund operations in 2016.

Our goals for 2015 included expanding the sales team and capturing a major carrier. We did expand our team and have put into place standardized sales processes and materials. We captured our largest customer to date, Avmax Aviation Services Inc. ("Avmax"), who operates or leases 146 Bombardier aircraft. We also continued expansion in China, winning positions at five airlines, including direct sales and sales through partners, and began the process of establishing a depot maintenance facility. This latter goal was not completed in 2015 but will be accomplished by mid-2016. We responded to a significant OEM opportunity for alerting and streaming aircraft data and we remain hopeful that our outstanding technology will be selected.

FLYHT also collected awards in 2015.

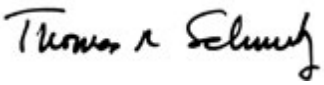
FLYHT was awarded the 2015 Excellence in Avionics Safety Systems Innovation Award by Avionics Magazine for the AFIRS™ and FLYHTStream™ products. Closer to home, the Alberta Venture Magazine included FLYHT in a list of 20 most innovative companies. These awards demonstrate recognition of the unique solutions that FLYHT has brought to the industry and are a source of pride for our team, along with the 2015 achievement of over two million AFIRS flight hours on our customers' aircraft, accumulated on more than one million flights.

As we advance in 2016, we are making significant investment in the redevelopment and roll out of an updated, cloud based implementation of the Uptime™ ground based user software. We have collected important lessons learned in the legacy, server based applications that we currently provide as a seminal service provider in the connected aircraft space. This UpTime suite of products includes FLYHTVoice™, FLYHTLog™, FLYHTASD™, FLYHTMail™, FLYHTHealth™, FLYHTFuel™ and, of course, FLYHTStream™ along with some other product components. UpTime features will include an integrated user interface to this suite using the latest cloud-based application implementation in order to enhance service availability and intuitive usability, while providing some dramatic enhancements.

We have created new goals for 2016 including the launch of a 24x7 call center to enhance customer service. Internally, we've implemented the "Adopt Excellence" program which establishes our goals and objectives to improve internal efficiencies which in turn will further enhance financial performance of the Company. Furthermore, we have set very aggressive sales goals and budgets to control expenditures to continue our efforts toward profitability and growth.

FLYHT continues to monitor industry discussions on aircraft tracking and other safety related industry initiatives, but the delays and industry stonewalling in these efforts indicate that there will not be any type of regulatory action in the next year or more. Most recently, the International Civil Aviation Organization (ICAO) adopted new provisions to include a requirement for aircraft to carry an autonomous tracking device which can transmit location information at least once every minute in distress circumstances by the year 2021. This new provision is separate from ICAO's proposal to require a standard of reporting aircraft position at least every 15 minutes when in oceanic or remote airspace. This later requirement, originally targeted for 2016 as a result of the MH370 disaster, has been pushed back to 2018. FLYHT stands ready with our solution set to address these or any other similar regulatory response, but we are focused on demonstrating how our existing, fielded, proven solutions save customers money while dramatically enhancing the safety and situational awareness of their fleet today.

We remain very positive about our significant ability to improve the operational efficiencies of airlines and are as engaged as ever at FLYHT. Our monthly CEO investor letters are designed to help provide as much background information as we can to help you understand how we run the business. Thank you for your support of our Company and we look forward to a very exciting and opportunity filled 2016!



Thomas R. Schmutz

Chief Executive Officer

Management Discussion & Analysis

This management discussion and analysis ("MD&A") is as of April 5, 2016 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, 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 December 31, 2015 consolidated financial statements and the notes thereto in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company's accounting policies are provided in note 3 to the consolidated financial statements.

Non-GAAP Financial Measures

The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS") or Generally Accepted Accounting Principles ("GAAP"). It also 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.A., 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.A., 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.A. military activity, market prices, foreign exchange rates, continued availability of capital and financing, and general economic, market, or business conditions in the aviation industry, worldwide political stability or any effect those may have on the Company's customer base. Investors are cautioned that any such statements are not guarantees of future performance, and that actual results or developments may differ materially from those projected in the forward-looking statements.

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

FLYHT Overview

FLYHT is a leading provider of real-time aircraft intelligence and cockpit communications for the aerospace industry. More than 50 customers, including airlines, leasing companies and original equipment manufacturers, have installed our systems in order to increase safety, improve operational efficiencies and enhance profitability. 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 proprietary technology, the Automated Flight Information Reporting System (AFIRS™), operates on multiple aircraft types and provides functions such as safety services voice and text messaging, data collection and transmission, and on-demand streaming of flight data recorder (black box), engine and airframe data. AFIRS has flown over 2.1 million aggregate flight hours and 1.4 million flights on customers' aircraft. FLYHT holds supplemental type certificates (STC) which allow for the installation of AFIRS on 95% of transport category aircraft.

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

AFIRS™ and UpTime™

AFIRS is a device installed on aircraft that monitors hundreds of essential functions from the aircraft and the black box. AFIRS sends this information through the Iridium satellite network to FLYHT's UpTime™ ground-based server, which routes the data to customer-specified end points and provides an interface for real-time aircraft interaction. In addition to its data monitoring functions, AFIRS provides voice and text messaging capabilities that give pilots the ability to communicate with ground support. Value-added applications such as FLYHTStream™, FLYHTLog™, FLYHTASD™, FLYHTMail™, FLYHTHealth™ and FLYHTFuel™ are unique to FLYHT. FLYHT's global satellite coverage is enabled by the Iridium satellite network, providing service to our customers when they need it anywhere on the planet.

FLYHT first marketed its technology with the AFIRS 220 in 2004. The unit received regulatory certification for installation in a large number of widely used commercial aircraft brands and models (see systems approvals section). The AFIRS 228, released in 2009, incorporates improvements over the AFIRS 220 in processing capacity, data transmission characteristics and programmability. The AFIRS 228 features cater to the evolving needs of airlines by providing a customized and flexible product. In early 2016, FLYHT announced the Canadian Technical Standard Order ("CAN-TSO") Design Approval, CAN-TSO-C159b for the AFIRS 228S. The certification, granted by Transport Canada, represents an additional level of airworthiness standards met by AFIRS to provide safety services messages and data.

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 activated 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. 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 program that focuses attention on areas of greatest savings potential to provide 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.

FLYHTASD™

FLYHTASD is an aircraft situational display that shows the aircraft position reports from AFIRS via the Iridium satellite network. 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. 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 FLYHTStream, black box data streaming, on their airborne aircraft at any time.

FLYHTHealth™

Consists of automated engine and airframe trend monitoring and real-time exceedances and diagnostics. Automated trend reports with configurable reporting intervals notify the airline when a maintenance event has occurred. Leveraging the global coverage of the Iridium satellite network, FLYHTHealth allows the airline to request data directly from the engine once a problem has been detected. The airline can then use FLYHT's real-time systems diagnostics capabilities to interrogate systems information and identify the source of the problem and prepare the arrival station for repair, long before the aircraft lands at its destination. By automating and enhancing the real-time and long-term monitoring of airplane data, FLYHTHealth enables proactive management of maintenance and reduces downtime and the financial impact of unscheduled maintenance.

FLYHTLog™

Allows operators to monitor the status of their aircraft and have detailed Out, Off, On and In ("OOOI") time information. It allows airlines to automatically route aircraft system and operational data to various partner systems. Additionally, FLYHTLog increases situational awareness and accurate flight times, saving money on flight crew pay and maintenance operations.

FLYHTMail™

Two-way text messaging to the flight deck is established through the multi-control display unit ("MCDU") or an iPad application. Text messaging is highly useful to manage diversions due to weather, mechanical occurrences or other unforeseen situations.

FLYHTVoice™

The onboard satellite phone, using the Iridium satellite constellation with global coverage, is a rapid and reliable private communication channel for the flight deck. When operating remote or oceanic flights, it allows dispatch to pass on updated information to the crew with no delay. The voice capability is particularly valuable during emergency situations or irregular operations.

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.

The Dragon™

As part of an evaluation of its products and services and in order to focus attention where it is needed most, FLYHT is discontinuing the sale of the Dragon™. This decision will not impact FLYHT's current Dragon customers.

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, DGAC 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, DGAC 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, over the next several years, will file 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	**ATR42-300, -500**
	A		I						A	**ATR72-100, -200**
	A		I						I	**ATR-42-500**
					I*					**ATR42-500 "600 Version" *STC Twenty One**
					I*					**ATR72-212A "600 Version" *STC Twenty One**
A		A		A		A				**Boeing B737 -200**
A	A	A	A	A		A	I		A	**Boeing B737 -300, -400, -500**
A		A		A		A				**Boeing B737 -600**
A	A	A	A	A		A	A		A	**Boeing B737 -700, -800**
			I				I			**Boeing B737 -900**
	A									**Boeing 747-200**
A	A	A	I	A	I	A	I			**Boeing 757 -200**
A	A	A	A	A	I	A	I			**Boeing 767 -200, -300**
	A		A							**Boeing B777**
A	I*	A		A						**Bombardier DHC 8 -100, -200, -300 *Avmax**
A	P						I			**Bombardier DHC 8 -400**
A	A	A		A			I			**Bombardier CRJ 100, 200, 440**
	A						A			**Bombardier CRJ -700, 900**
A		A								**McDonnell Douglas DC-10 (KC-10 military)**
			I							**McDonnell Douglas MD-82**
	A		I							**McDonnell Douglas MD-83**
A										**Fokker 100**
A	A	A	A	A	A					**Hawker Beechcraft -750, 800XP, 850XP, 900XP**
A										**Viking Air DHC -7 (LSTC)**
	I									**Embraer EMB 190**
		A								**Embraer Legacy 600 and EMB – 135/145**

FLYHT has also received an approved AFIRS 228 STC for the Bombardier CRJ- 700, 900 from the DGDC in Mexico. 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.
* = Occasionally FLYHT may partner with a third party to gain STC approval.

FLYHT announced additional certification in January 2016, with the receipt of the Canadian Technical Standard Order ("CAN-TSO") Design Approval, CAN-TSO-C159b for the AFIRS 228S. The certification, granted by Transport Canada, represents an additional level of airworthiness standards met by AFIRS. A Technical Standard Order is a minimum performance standard issued by an airworthiness authority for specified materials, parts, processes, and appliances used on civil aircraft. Issuance of the CAN-TSO by TCCA through international agreements, represents recognition of the AFIRS 228S in the world's major airworthiness jurisdictions, thus simplifying the STC and installation process.

This TSO certification confirms that AFIRS 228S meets all product requirements, including DO-262B Minimum Operational Performance Standards for Avionics Supporting Next Generation Satellite Systems (NGSS), for an Iridium SATCOM supporting Future Air Navigation System ("FANS") -1/A capability. FANS allows for and supports improved data and surveillance of aircraft flying in remote regions and over the oceans. Additionally, the certification enables voice and data services for Air Traffic Control ("ATC"), Aeronautical Operational Control ("AOC") and Air-to-Air Communication ("AAC") using Iridium's global satellite network. The system also provides ACARS over Iridium messaging capability.

Trends and Economic Factors

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

Passenger traffic (measured in Revenue Passenger Kilometers or "RPK") saw a 6.5% increase in 2015 compared to the previous year and was the strongest result in five years[1]. All regions saw demand growth in 2015 and load factors that measure the capacity of flights were at a record annual high of 80.3%, an increase of 0.6% over 2014. Demand in international markets at 6.5% was slightly higher than domestic travel at 6.3%. Global freight traffic (measured in Freight Tonne Kilometers or "FTK") increased by 2.2% in 2015, which was lower than the 4.5% growth in 2014[2]. RPK and FTK measure passenger and freight contributions to airline revenue. These are significant measures to determine the health of the industry because the larger the increase, the more people are flying and freight shipping, suggesting growth in the industry.

Large commercial aircraft manufacturers marked record numbers for deliveries and new orders in 2015. Airbus achieved a new record for aircraft deliveries of 635 aircraft for 85 customers, an increase from 629 aircraft in 2014. 2015 deliveries continued the upward trend for the 13th consecutive year[3]. Boeing also reached new heights, delivering 762 aircraft in 2015, 39 more than the previous year.[4] Embraer set a five-year record and delivered a total of 101 commercial and 120 executive jets (82 light and 38 large), in 2015[5]. Bombardier delivered less aircraft than in 2014, a total of 275 business and commercial jets compared to 290 aircraft in the previous year. The company also announced that it would undergo some transformation in its programs and a restructuring in 2016 resulting in a loss of jobs[6].

Results for the general aviation industry were not as strong in the year due to the fluctuating world economy. The General Aviation Manufacturers Association ("GAMA") reported that numbers in worldwide general aviation airplane shipments fell in 2015 5% from 2,454 in 2014 to 2,331 shipments in 2015[7].

FLYHT continues to be an industry leader in providing airlines with increased operational control and aircraft situational awareness. The Company's efforts in the year have been on the early stage redevelopment and implementation of a cloud-based UpTime user software. This development will occur in 2016 and marks an improvement on our current technology; taking into consideration customer feedback and optimization. The FLYHTHealth program is significant in its ability to detect and notify the airline of any problems while the aircraft is in flight and prepare for repair before the aircraft lands, thereby reducing the financial impact of unscheduled maintenance. 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 with FLYHTStream capabilities on industry panels. Multiple working groups included sessions with the Malaysian Government, ICAO, IATA, the NTSB and ITU. FLYHT will continue to participate in industry working groups to advance engineering and technical requirements and prepare for future development of the AFIRS product line to meet industry needs.

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

Contracts and Achievements of Fiscal 2015

Contracts

FLYHT Aerospace Solutions Ltd. signed a total of six contracts on 169 aircraft with customers worldwide. Two were for the AFIRS 220 and 167 for the AFIRS 228, as described below;

In April, FLYHT signed contracts with new customers that had AFIRS 220 units previously installed on their aircraft. One was with an African operator on a Bombardier DHC-8; the other is with a Caribbean carrier on a Boeing 767-300.

In May, FLYHT signed a contract with an African Airline for the AFIRS 228 on a fleet of four A320 aircraft.

In September, FLYHT signed a contract with Avmax Aviation Services 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.

Throughout the year FLYHT signed contracts with five airlines in China, including direct sales and sales through partners, for a total of 18 aircraft.

1 http://www.iata.org/pressroom/pr/Pages/2016-02-04-01.aspx

2 http://www.iata.org/pressroom/pr/Pages/2016-02-03-01.aspx

3 http://www.airbus.com/newsevents/news-events-single/detail/airbus-exceeds-targets-in-2015-delivers-the-most-aircraft-ever/

4 http://boeing.mediaroom.com/2016-01-07-Boeing-Achieves-Record-Commercial-Airplanes-Deliveries-in-2015

5 http://www.embraer.com/Documents/noticias/003-Embraer%20Deliveries%204Q15-Ins-VPF-I-16.pdf

6 http://www.bombardier.com/en/media/newsList/details.binc-20160217-bombardier-announces-financial-results-for-the-fou.bombardiercom.html

7 http://www.gama.aero/media-center/press-releases/content/gama-unveils-2015-year-end-shipment-and-billing-numbers-%E2%80%9Cstate-i
and
http://www.gama.aero/media-center/industry-facts-and-statistics/shipments-billings

Achievements

- In the first quarter FLYHT reported the highest revenue yet achieved in a quarter, $2,569,908, and a loss for the period close to break even.
- In June, FLYHT announced the election of retired Major General Mark V. Rosenker to the Board of Directors.
- In June, FLYHT was recognized with the 2015 Excellence in Avionics Safety Systems Innovation Award by Avionics Magazine.
- 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 the third quarter FLYHT reported the second highest revenue achieved in a quarter, $2,519,347; second only to the first quarter of 2015 by $50,561.
- 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.
- In December, FLYHT announced the granting of a non-exclusive license to use certain of its intellectual property (the "IP") to a technology company for an aggregate license fee of $2.5 million USD, payable in the first quarter of 2016.
- In the fourth quarter FLYHT reported a new quarterly revenue record, $3,769,267, being the third record revenue quarter in the 2015 financial year. The results show a 51.9% improvement on 2014 revenue and 30.7% ahead of the previous highest revenue year in 2013.

Results of Operations – Years Ended December 31, 2015 and 2014

Selected Results

2015	Q4 $	Q3 $	Q2 $	Q1 $	Total $
Assets	5,478,867	6,140,675	6,344,752	7,752,509	5,478,867
Non-current financial liabilities	390,110	3,267,030	3,053,577	5,407,303	390,110
Revenue	3,769,267	2,519,347	1,598,603	2,569,908	10,457,125
Cost of sales	1,340,513	672,341	562,535	637,901	3,213,290
Distribution expenses	1,084,443	1,142,086	987,330	763,774	3,977,633
Administration expenses	1,573,796	607,755	943,931	551,471	3,676,953
Research, development and certification engineering expenses	689,195	638,104	737,968	737,285	2,802,552
Loss (income) from operating activities	918,680	540,939	1,633,161	120,523	3,213,303
Loss	1,203,998	683,224	1,943,924	60,414	3,891,560
Loss (income) before R&D	514,803	45,120	1,205,956	(676,871)	1,089,008
Loss per share (basic & fully diluted)	0.01	0.00	0.01	0.00	0.02
2014	**Q4 $**	**Q3 $**	**Q2 $**	**Q1 $**	**Total $**
Assets	8,275,546	8,968,372	10,281,225	9,734,630	8,275,546
Non-current financial liabilities	5,506,179	2,728,769	2,433,044	2,262,812	5,506,179
Revenue	2,218,681	1,808,794	1,505,767	1,348,786	6,882,028
Cost of sales	849,221	655,927	604,860	440,043	2,550,051
Distribution expenses	990,650	806,051	816,240	780,050	3,392,991
Administration expenses	780,039	985,756	1,119,379	663,344	3,548,518
Research, development and certification engineering expenses	772,725	848,119	(1,277,790)	434,695	777,749
Loss (income) from operating activities	1,173,954	1,487,059	(243,078)	969,346	3,387,281
Loss	1,305,712	1,653,147	46,925	1,273,101	4,278,885
Loss before R&D	532,986	805,028	1,324,716	838,406	3,501,136
Loss per share (basic & fully diluted)	0.01	0.01	0.00	0.01	0.03

Financial Position

Liquidity and Capital Resource

The Company's cash at December 31, 2015 decreased to $1,301,955 from $3,910,962 at December 31, 2014 due mainly to cash used in operating activities in the first half of the year. FLYHT utilized net $2,894,478 million cash during the year (excluding the unrealized foreign exchange differences) to fund the losses. The Company progressively self-funded more of its operations, or consumed less cash, each quarter, from $1,666,232 utilized in Q1, to $622,400 utilized in Q2, $621,716 utilized in Q3 and $15,870 cash generated in Q4, as reported on the statements of cash flow. Working capital items were well controlled so did not contribute to a cash burn. 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.

The convertible and the redeemable debentures mature during 2016 and have been classified as current liabilities at December 31, 2015. The Company thus had negative working capital of $5,413,927 compared to positive $3,009,025 as of December 31, 2014, a decrease of $8,422,952 comprising $2,609,007 cash decrease, $5,267,636 increase in current portion of loans and borrowings reclassified from non-current liabilities and a net decrease in other working capital of $546,309. Neither customer deposits, nor the current portion of unearned revenue are refundable, and if those two items are excluded in the working capital calculation, the resulting modified working capital at December 31, 2015 would be negative $3,306,055 compared to positive $5,283,775 at December 31, 2014.

The Company funded 2015 operations primarily through cash received from sales and available cash on hand. Management is addressing the debenture debt and the Company will continue to strive to self-fund operations in the coming year. The Company believes that where funding is required to meet cash flow requirements in 2016, it will be raised through sale of (or licensed rights to use) assets, or issue of debt or equity instruments.

	2015 $	2014 $	Variance $
Cash and cash equivalents	1,301,955	3,910,962	(2,609,007)
Restricted cash	250,000	250,000	-
Trade and other receivables	898,166	959,786	(61,620)
Deposits and prepaid expenses	137,861	183,750	(45,889)
Inventory	1,716,313	1,917,249	(200,936)
Trade payables and accrued liabilities	(2,757,707)	(2,129,622)	(628,085)
Unearned revenue	(1,087,197)	(1,484,345)	397,148
Loans and borrowings	(5,840,418)	(572,782)	(5,267,636)
Finance lease obligations	(27,922)	(25,973)	(1,949)
Current tax liabilities	(4,978)	-	(4,978)
Working capital	**(5,413,927)**	**3,009,025**	**(8,422,952)**
Unearned revenue	1,087,197	1,484,345	(397,148)
Customer deposits	1,020,675	790,405	230,270
Modified working capital	**(3,306,055)**	**5,283,775**	**(8,589,830)**

In 2015 warrant and option exercises together with convertible debenture conversions resulted in the Company issuing a total of 1,297,500 shares for total proceeds of $236,000, including:

a) 542,500 warrants were exercised at $0.20 per share for proceeds of $108,500

b) 100,000 options were exercised at $0.25 per share for proceeds of $25,000

c) 500,000 options were exercised at $0.205 per share for proceeds of $102,500

d) 155,000 convertible debentures converted at $0.40 per share

As at April 5, 2016, FLYHT's issued and outstanding share capital was 173,477,635.

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. 2015 revenue was a 51.9% increase over 2014 which contributed to a reduced operating loss of $3,213,303; being $130,337 less loss than 2014.

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
- sufficient funds are not available to extinguish the debentures coming due in June 2016, or
- sufficient funds are not available, or debenture holders do not convert their debenture units to equity, when the debentures mature in December 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, expenses 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 AFIRS 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. In the case of monthly recurring revenue the Company has the ability to disable the AFIRS unit transmissions where the customer has not fulfilled its financial obligations.

Contractual Obligations

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

December 31, 2015	< 2 months $	2-12 months $	1-2 years $	2-5 years $	> 5 years $	Total $
Accounts payable	1,034,319	2,692	-	-	-	1,037,011
Compensation and statutory deductions	84,525	270,134	108,000	108,000	-	570,659
Finance lease liabilities	4,970	24,849	15,794	-	-	45,613
Accrued liabilities	39,215	61,650	9,715	18,782	-	129,362
Loans and borrowings	-	5,840,418	103,768	414,386	1,212,427	7,570,999
Total	**1,163,029**	**6,199,743**	**237,277**	**541,168**	**1,212,427**	**9,353,644**

Under SADI, the Company has, at December 31, 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 repayment in 2015 was $78,462 (2014: $68,229).

A summary of the SADI loan carrying value as at December 31, 2015 and 2014 and changes during these years is presented below.

	2015 $	2014 $
Balance January 1	899,600	818,828
Interest accretion	163,369	149,001
Repayment	(78,462)	(68,229)
Balance December 31	**984,507**	**899,600**
Less current portion	90,234	78,462
Non-current portion	894,273	821,138

A summary of the SADI outstanding payable balance as at December 31, 2015 and 2014 and changes during these years is presented below.

	2015 $	2014 $
Balance January 1	1,899,278	1,967,507
Repayment	(78,462)	(68,229)
Balance December 31	**1,820,816**	**1,899,278**

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 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 were convertible into common shares at a conversion rate of $0.40 per share at any time up to December 23, 2015; on December 15, 2015 the conversion rate was amended to be $0.25 per share at any time up to December 23, 2016 and the warrant exercise price was amended to $0.20. The debentures carry a face value after conversions of $3,039,000 at April 5, 2016.

FLYHT did not enter into any new loan or lease agreements in 2015. Minimum lease payments are as follows.

Year	Total $
2016	29,818
2017	15,795
Total	**45,613**

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 Solution.

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

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

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 ended December 31, 2015 and 2014. Payment was received for 11 installation kits in the fourth quarter of 2015 compared to 9 received in the fourth quarter of 2014, bringing 2015 year-to-date ("YTD") total payments for installation kits to 36, compared to a total of 57 in 2014.

	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Opening balance	524,325	1,070,854	(546,529)	790,405	551,227	239,178
Payments received	1,229,085	744,042	485,043	2,828,055	2,967,089	(139,034)
Moved to unearned revenue	(732,735)	(1,024,491)	291,756	(2,597,785)	(2,727,911)	130,126
Balance, December 31	**1,020,675**	**790,405**	**230,270**	**1,020,675**	**790,405**	**230,270**

Unearned Revenue

The chart below outlines the movement in the Company's unearned revenue throughout the periods ended December 31, 2015 and 2014. Revenue was recognized for 28 installation kits in 2015's fourth quarter compared to 12 in the fourth quarter of 2014. YTD, revenue has been recognized for 58 installation kits in 2015, as compared to 44 in 2014. In 2015, 65.9% of the unearned revenue balance at December 31, 2014 was recognized as earned revenue (2014: 57.1%).

	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Opening balance	1,922,504	1,272,206	650,298	1,675,746	1,103,834	571,912
AFIRS sales shipped, not accepted	732,735	1,024,491	(291,756)	2,597,785	2,727,911	(130,126)
Voice and data services prepaid	19,033	15,960	3,073	19,033	92,084	(73,051)
AFIRS sales revenue recognized	(1,524,940)	(614,411)	(910,529)	(3,131,261)	(2,146,871)	(984,390)
Voice and data services revenue recognized	(3,991)	(22,500)	18,509	(15,962)	(101,212)	85,250
Balance, December 31	**1,145,341**	**1,675,746**	**(530,405)**	**1,145,341**	**1,675,746**	**(530,405)**

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. 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 recognized as AFIRS sales revenue and the work in progress as cost of sales. **Parts sales** include 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

	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Voice and data services	1,067,894	915,602	152,292	3,986,813	3,657,300	329,513
AFIRS sales	1,574,559	619,776	954,783	3,372,421	2,054,251	1,318,170
Parts sales	1,123,803	455,297	668,506	2,932,100	718,567	2,213,533
Services	3,011	228,006	(224,995)	165,791	451,910	(286,119)
Total	**3,769,267**	**2,218,681**	**1,550,586**	**10,457,125**	**6,882,028**	**3,575,097**

Overall, total revenue increased 51.9% from $6,882,028 in 2014 to $10,457,125 in 2015. Voice and data services increased by 9.0%, Parts sales increased by 308.0%, AFIRS sales increased by 64.2%, while Services revenue decreased by 63.3%. Revenue in the first, third and fourth quarters were the three highest quarters in FLYHT history.

Voice and data services increased compared to last year, due to a higher number of aircraft producing recurring revenue together with the higher value of the USD. Recurring revenue accounted for 28.3% of revenue in Q4 2015 (Q4 2014: 41.3%), and 38.1% YTD 2015 (YTD 2014: 53.1%). Recurring revenue from FLYHT's existing client base is expected to continue to expand throughout 2016 and future years.

AFIRS sales increased in 2015 as compared to 2014 due to an increased number of installation kits meeting the requirements for revenue recognition. YTD, revenue has been recognized on 58 installation kits, compared to 44 in 2014. Revenue was recognized on 28 installation kits in Q4 2015 compared to 12 in Q4 2014.

Parts sales increased both in the quarter and YTD in 2015 from 2014 as the result of large orders of modems with related license fees throughout 2015.

Services revenue decreased in the quarter and YTD in 2015 compared to 2014 due to a lower number of technical services provided to customers throughout 2015. In 2014 higher revenue was earned on engineering documentation required for our Chinese customers, which was not required in 2015.

Revenue sources for the last eight quarters were:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Voice and data services	1,067,894	1,100,238	855,121	963,560	915,602	927,117	893,464	921,116
AFIRS sales	1,574,559	613,229	434,102	750,531	619,776	609,085	447,632	377,758
Parts sales	1,123,803	682,476	285,459	840,362	455,297	148,198	111,720	3,353
Services	3,011	123,404	23,921	15,455	228,006	124,394	52,951	46,559
Total	**3,769,267**	**2,519,347**	**1,598,603**	**2,569,908**	**2,218,681**	**1,808,794**	**1,505,767**	**1,348,786**

Geographical sources of revenue

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

	Q4 2015 $	Q4 2014 $	YTD 2015 $	YTD 2014 $
North America	1,979,070	1,215,724	5,754,913	3,321,408
South/Central America	38,640	67,265	266,203	304,449
Africa/Middle East	586,570	369,309	1,432,230	1,194,644
Europe	251,382	54,078	542,037	317,112
Australasia	215,805	143,922	694,992	658,366
Asia	697,800	368,383	1,766,750	1,086,049
Total	**3,769,267**	**2,218,681**	**10,457,125**	**6,882,028**

	Q4 2015 %	Q4 2014 %	YTD 2015 %	YTD 2014 %
North America	52.5	54.9	55.1	48.2
South/Central America	1.0	3.0	2.5	4.4
Africa/Middle East	15.6	16.6	13.7	17.4
Europe	6.7	2.4	5.2	4.6
Australasia	5.7	6.5	6.6	9.6
Asia	18.5	16.6	16.9	15.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

Gross Profit and Cost of Sales

FLYHT's cost of sales includes the direct costs associated with specific revenue types, including the AFIRS unit, installation kits, training and installation support, as well as associated shipping expenses and travel expenses for the Company's engineering personnel while performing on-site installation support. Installations on aircraft are performed by third parties at the customer's expense. Cost of sales as a percentage of revenue in the fourth quarter of 2015 was 35.6% compared to 38.3% in 2014's fourth quarter. A review of the annual results shows the cost of sales as a percentage of revenue also decreased from 37.1% in 2014 to 30.7% in 2015. The decrease was due to a difference in the mix of revenue sources, as Voice and data services, Parts sales, and Services have higher margins than AFIRS sales. Gross margin will fluctuate quarter over quarter depending on customer needs and revenue mix.

Gross margin for the last eight quarters was:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Gross Margin %	64.4	73.3	64.8	75.2	61.7	63.7	59.8	67.4
Cost of Sales %	35.6	26.7	35.2	24.8	38.3	36.3	40.2	32.6

Distribution Expenses (Recovery)

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

Major Category	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	598,925	364,083	234,842	1,983,579	1,652,340	331,239
Share based compensation	(1,392)	10,470	(11,862)	91,658	84,971	6,687
Contract labour	204,594	97,574	107,020	829,298	354,320	474,978
Office	112,159	66,654	45,505	328,855	275,427	53,428
Travel	144,210	84,291	59,919	472,078	449,215	22,863
Equipment and maintenance	(5,052)	5,764	(10,816)	40,216	22,180	18,036
Depreciation	9,385	1,733	7,652	29,840	26,910	2,930
Marketing	21,614	12,306	9,308	100,169	55,610	44,559
Other	-	347,775	(347,775)	101,940	472,018	(370,078)
Total	**1,084,443**	**990,650**	**93,793**	**3,977,633**	**3,392,991**	**584,642**

Distribution expenses increased compared to 2014 due mainly to higher people costs offset by the decrease required in FLYHT's bad debt reserve.

Salaries and benefits increased in 2015 as compared to 2014 mainly due to an increase in sales and customer satisfaction staff.

Contract labour increased compared with the same periods last year, consequent on an increase 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 2015 from 2014 mainly as the result of an increased rent allocation combined with increased participation in an industry group.

Travel expenses increased in 2015 versus 2014 largely as the result of increased travel associated with sales and customer satisfaction activities, particularly in the fourth quarter of 2015. Travel expenses vary significantly depending on the location of customer contracts and regions served.

Equipment expenses increased YTD due to the 2015 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.

Other expenses decreases in both the quarter and YTD are due to a large bad debt reserve taken in Q4 2014 that was not repeated in 2015.

Administration Expenses

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

Major Category	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	1,058,602	352,434	706,168	1,972,362	1,468,711	503,651
Share based compensation	37,099	2,022	35,077	276,008	417,278	(141,270)
Contract labour	52,024	60,860	(8,836)	153,594	245,678	(92,084)
Office	61,836	62,895	(1,059)	257,614	276,983	(19,369)
Legal fees	91,212	42,787	48,425	160,360	151,566	8,794
Audit and accounting	24,000	31,500	(7,500)	85,840	141,438	(55,598)
Investor relations	148,810	85,807	63,003	399,619	372,423	27,196
Brokerage, stock exchange, and transfer agent fees	3,601	10,106	(6,505)	59,544	74,066	(14,522)
Travel	60,823	54,140	6,683	211,307	215,660	(4,353)
Equipment and maintenance	11,953	46,270	(34,317)	64,138	98,438	(34,300)
Depreciation	2,304	760	1,544	10,098	15,217	(5,119)
Other	21,532	30,458	(8,926)	26,469	71,060	(44,591)
Total	**1,573,796**	**780,039**	**793,757**	**3,676,953**	**3,548,518**	**128,435**

Administration expenses were higher in 2015 due mainly to people costs for staff retirement and change in key management positions, partially offset by cost savings in several other expense categories.

Salaries and benefits were higher in 2015 compared with 2014, mainly as the result of separation payments for our retiring CEO together with variable compensation as a result of the change in key management positions in Q4 2015 which exceeded the cost of separation included in Q4 2014 for our retiring CFO.

Share based compensation differences in the quarter and YTD were the result of timing and volume differences in share options awarded throughout 2014 and into 2015.

Contract labour decreased compared to 2014 as a result of recruitment fees paid in 2014, along with expenses resulting from increased involvement throughout 2014 in industry groups following the disappearance of Malaysian Airlines flight MH370, which did not recur in 2015.

Office expenses decreased throughout 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 increased in the quarter due to employee related services, including international employment law, and treasury matters.

Audit and accounting decreases are mainly due to service adjustments.

Investor relations expense increased due to treasury matters and including costs of the OTCQX listing for the full year in 2015 (listing obtained in June 2014).

Brokerage, stock exchange, and transfer agent fees decreases are the result of a larger number of warrant and option exercises throughout 2014 as compared to 2015.

Equipment and maintenance decreases were the result of one-time purchases of equipment required for the new office premises in 2014.

Other decreases were related to the office move in 2014.

Research, Development and Certification Engineering Expenses (Recovery)

Major Category	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Salaries and benefits	474,014	427,690	46,324	1,964,388	1,874,482	89,906
Share based compensation	(1,635)	-	(1,635)	75,011	86,341	(11,330)
Contract labour	161,206	172,201	(10,995)	595,821	538,874	56,947
Office	30,212	87,376	(57,164)	197,618	288,686	(91,068)
Travel	6,902	11,226	(4,324)	52,143	37,882	14,261
Equipment and maintenance	20,364	39,409	(19,045)	65,038	56,555	8,483
Components	(9,541)	35,708	(45,249)	27,877	52,308	(24,431)
SRED credit	-	(324)	324	(216,708)	(241,677)	24,969
Depreciation	3,310	(561)	3,871	16,936	23,195	(6,259)
Other	4,363	-	4,363	24,428	12,060	12,368
SNC litigation settlement	-	-	-	-	(1,950,957)	1,950,957
Total	**689,195**	**772,725**	**(83,530)**	**2,802,552**	**777,749**	**2,024,803**

Research and Development expense, before the favorable impact in 2014 of the recovery of a provision on settlement of the SNC litigation, was higher in 2015 due mainly to higher people costs, legal and patent fees, and components required for research and development activities.

Salaries and benefits expended in this category increased from 2014 to 2015, partially due to the time committed to increasing revenue sources for ground based server applications, and enhancements made 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 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 2014 to finalize the settlement with Sierra Nevada Corporation ("SNC") were not required in 2015. Legal fees required to establish and defend patents also decreased from 2014 to 2015.

Travel expenses increased due to increased hardware testing and test flights. Cost of travel varies significantly depending on the location of customers and regions served.

Equipment and maintenance expense decreases in Q4 2015 offset increases earlier in 2015 due to timing on additional software and associated licensing fees required for research and development activities.

Components requirements were lower in 2015 than in 2014 as a lower number of expensed parts were required for use in development and testing activities.

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

Other expenses increased due to differences in employee relocation costs between 2014 and 2015.

SNC litigation settlement recovery shown in 2014 was the result of the settlement in Q2 2014 of the dispute with SNC and the release of the related liability accrual.

Net Finance Costs

Major Category	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Interest (income)	-	-	-	(2,128)	(2,000)	(128)
Net foreign exchange (gain) loss	25,721	(137,326)	163,047	(237,247)	(154,265)	(82,982)
Bank service charges	6,352	5,353	999	22,699	21,995	704
Interest expense	821	1,088	(267)	3,917	3,885	32
Government grant accretion	42,628	38,928	3,700	163,368	149,001	14,367
Debenture interest and accretion	204,272	199,937	4,335	711,993	784,404	(72,411)
Debenture cost amortization	2,691	23,777	(21,086)	10,677	88,530	(77,853)
Net finance costs	**282,485**	**131,757**	**150,728**	**673,279**	**891,550**	**(218,271)**

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

Government grant accretion is the recognition of the effective interest component of the SADI grant.

Debenture interest and accretion decreases are due to the conversion of a portion of the debentures issued in December 2010.

Debenture cost amortization decreases occurred as the costs associated with issuing the convertible debenture in 2010 had been fully amortized when the debenture was extended in December 2015.

Net Loss

Major Category	Q4 2015 $	Q4 2014 $	Variance $	YTD 2015 $	YTD 2014 $	Variance $
Net loss	1,203,998	1,305,712	(101,714)	3,891,560	4,278,885	(387,325)
Net loss without R&D	514,803	532,986	(18,183)	1,089,008	3,501,136	(2,412,128)

The loss for 2015 was $387,325 less than the loss in 2014. If the favorable impact of the onetime recovery of the $1,950,957 provision on settlement of the SNC litigation is excluded from 2014 results, the improvement in 2015 would be $2,338,282 or 37.5%.

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 2015, 98.4% of the Company's gross sales were made in U.S. dollars, compared to 95.5% in 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 Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs (January 1, 2017).

IFRS 16 – Leases replaces IAS 17, leases. Under the new standard, more leases may come on-balance sheet for lessees, with the exception of leases with a term not greater than 12 months and leases considered to be of small value (January 1, 2019).

The Company has not completed its evaluation of the effect of adopting these standards on its consolidated annual 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 90 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 certain payroll costs and 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, 2014 and 2015. Through 2014 and 2015 FLYHT was working to increase certification of the 228 from an 'E' to a 'D' level certification at the request of customers; the certification was received during Q4 2015 and is expected to 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. Late in 2015 the Dragon was identified as falling outside of FLYHT's core competency and the Company may look to divest the product line during 2016. The Company's success will ultimately depend on the success of its products, and future enhancements made to same.

Need to consider inserting FLYHTStream/fuel/etc type items

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

a) Throughout 2014, the Company engaged in transactions with a company owned by a former director to supply consulting services in promoting the Company's product as a preferred solution for enhanced aircraft tracking and triggered data transmission. No similar services were contracted during 2015.

b) In the third and fourth quarters of 2015, the Company entered into an agreement with a company with ownership related to an officer of FLYHT. The company supplied consulting services in recruitment and supplied a contract resource to develop tools used to enhance the Company's ground based software.

Included in contract labour for the periods ended December 31:

	For the three months		For the year	
	2015 $	2014 $	2015 $	2014 $
(a)	-	5,621	-	74,418
(b)	30,114	-	41,114	-
Total	**30,114**	**5,621**	**41,114**	**74,418**

Included in accounts payable and accrued liabilities as at December 31:

	2015 $	2014 $
(a)	-	-
(b)	30,114	-
Total	**30,114**	-

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

Contingency

Subsequent to year end FLYHT received a claim from a partner totaling $0.8 million USD for past and potential future warranty claims relating to reliability of some active AFIRS units. The claim asserts a design defect has led to the reliability issues. The resolution of the claim is pending review. The result of the claim is currently unknown and will be resolved with the partner.

Subsequent event

On December 21, 2015 the Company granted a non-exclusive license to use certain of its intellectual property to a technology company for an aggregate license fee of $2.5 million USD, payable in the first quarter of 2016. Payment for this license has been delayed until the second quarter of 2016.

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