

FLYHT AEROSPACE SOLUTIONS LTD.

# SECOND QUARTER

FINANCIAL STATEMENTS

# 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 six months ended June 30, 2018 and June 30, 2017.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	June 30, 2018	December 31, 2017
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	896,642	2,014,135
Trade and other receivables	1,110,387	1,650,574
Contract assets	266,848	313,634
Deposits and prepaid expenses	263,137	391,191
Inventory	1,273,043	1,331,893
<b>Total current assets</b>	<b>3,810,057</b>	<b>5,701,427</b>
<b>Non-current assets</b>		
Property and equipment	374,321	398,272
Intangible assets	34,992	34,992
Inventory	885,816	859,448
<b>Total non-current assets</b>	<b>1,295,129</b>	<b>1,292,712</b>
<b>Total assets</b>	<b>5,105,186</b>	<b>6,994,139</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities	1,634,663	1,868,563
Customer deposits	808,734	1,687,971
Loans and borrowings (note 8)	119,332	112,578
Current tax liabilities	2,835	12,211
<b>Total current liabilities</b>	<b>2,565,564</b>	<b>3,681,323</b>
<b>Non-current liabilities</b>		
Loans and borrowings (note 8)	2,246,731	1,842,439
Provisions	98,291	91,713
<b>Total non-current liabilities</b>	<b>2,345,022</b>	<b>1,934,152</b>
<b>Total liabilities</b>	<b>4,910,586</b>	<b>5,615,475</b>
<b>Equity</b>		
Share capital	58,430,455	58,409,225
Warrants	-	911,282
Contributed surplus	10,287,528	9,349,871
Deficit	(68,523,383)	(67,291,714)
<b>Total equity</b>	<b>194,600</b>	<b>1,378,664</b>
<b>Total liabilities and equity</b>	<b>5,105,186</b>	<b>6,994,139</b>

See accompanying notes to condensed consolidated interim financial statements, including the going concern (note 2d). Under the transition method chosen for application of IFRS15, comparative information has been restated (note 3).

On behalf of the board

*"Signed"*  
Director – Bill Tempany

*"Signed"*  
Director – Paul Takalo

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	For the three months ended		For the six months ended	
	June 30		June 30	
	2018	2017*	2018	2017*
	\$	\$	\$	\$
Revenue (note 7)	3,146,266	3,242,382	6,464,577	7,023,501
Cost of sales	1,075,402	1,014,111	2,404,396	2,198,686
<b>Gross profit</b>	<b>2,070,864</b>	<b>2,228,271</b>	<b>4,060,181</b>	<b>4,824,815</b>
Distribution expenses	1,281,936	1,420,236	2,522,545	2,613,804
Administration expenses	682,575	1,088,709	1,212,612	1,728,455
Research, development and certification engineering expenses	704,731	399,920	1,443,967	961,078
<b>Income (loss) from operating activities</b>	<b>(598,378)</b>	<b>(680,594)</b>	<b>(1,118,943)</b>	<b>(478,522)</b>
Finance (income)	(1,497)	(3,275)	(5,752)	(5,044)
Finance costs	54,540	80,373	119,485	161,805
<b>Net finance costs</b>	<b>53,043</b>	<b>77,098</b>	<b>113,733</b>	<b>156,761</b>
<b>Income (loss) before income tax</b>	<b>(651,421)</b>	<b>(757,692)</b>	<b>(1,232,676)</b>	<b>(635,283)</b>
Income tax expense (recovery)	(2,128)	1,682	(1,007)	4,687
<b>Income (loss) for the period</b>	<b>(649,293)</b>	<b>(759,374)</b>	<b>(1,231,669)</b>	<b>(639,970)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>(649,293)</b>	<b>(759,374)</b>	<b>(1,231,669)</b>	<b>(639,970)</b>
<b>Income (Loss) per share</b>	<b>(0.03)</b>	<b>(0.04)</b>	<b>(0.06)</b>	<b>(0.03)</b>
Basic and diluted income (loss) per share (note 6)	(0.03)	(0.04)	(0.06)	(0.03)

See accompanying notes to condensed consolidated interim financial statements.

\*Under the transition method chosen for application of IFRS15, comparative information has been restated (note 3).

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIT) (UNAUDITED)

For the six months ended June 30, 2018 and 2017

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity (Deficit)
	\$	\$	\$	\$	\$
<b>Balance at December 31, 2017*</b>	58,409,225	911,282	9,349,871	(67,291,714)	1,378,664
Income for the period	-	-	-	(1,231,669)	(1,231,669)
<b>Total comprehensive income for the period</b>	-	-	-	(1,231,669)	(1,231,669)
<b>Contributions by and distributions to owners</b>					
Share-based payment transactions	-	-	31,605	-	31,605
Warrants exercised	21,230	(5,230)	-	-	16,000
		(906,052)	906,052	-	-
Total contributions by and distributions to owners	21,230	(911,282)	937,657	-	47,605
<b>Balance at June 30, 2018</b>	58,430,455	-	10,287,528	(68,523,383)	194,600
<b>Balance at January 1, 2017*</b>	57,514,646	1,139,934	9,017,979	(65,455,319)	2,217,240
Loss for the period	-	-	-	(639,970)	(639,970)
<b>Total comprehensive loss for the period</b>	-	-	-	(639,970)	(639,970)
<b>Contributions by and distributions to owners</b>					
Share-based payment transactions	-	-	444,413	-	444,413
Share options exercised	88,185	-	(30,043)	-	58,142
Warrants exercised	515,183	(228,652)	-	-	286,531
Total contributions by and distributions to owners	603,368	(228,652)	414,370	-	789,086
<b>Balance at June 30, 2017</b>	58,118,014	911,282	9,432,349	(66,095,289)	2,366,356

See accompanying notes to condensed consolidated interim financial statements.

\*Under the transition method chosen for application of IFRS15, comparative information has been restated (note 3).

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	For the six months ended June 30	
	2018	2017
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Income (loss) for the period	(1,231,669)	(639,970)
Depreciation – property plant and equipment	69,742	47,241
Grant portion of contributions from WINN (note 8)	(210,173)	(266,746)
Government grant accretion	149,890	102,970
Equity-settled share-based payment transactions	31,605	444,413
Change in inventories	32,482	243,052
Change in trade and other receivables	545,982	(878,104)
Change in contract assets	46,786	(68,687)
Change in prepayments	128,054	(207,758)
Change in trade and other payables	(255,370)	393,413
Change in customer deposits	(879,237)	591,419
Change in provisions	6,578	18,434
Change in unearned revenue	-	(9,951)
Unrealized foreign exchange	7,892	128,552
Interest expense	2,385	559
Interest paid	(2,385)	(559)
Interest income	(5,752)	(5,044)
Interest received	5,752	5,044
Income tax expense	1,007	4,687
Income tax paid	(10,383)	(7,202)
<b>Net cash from (used in) operating activities</b>	<b>(1,566,814)</b>	<b>(104,237)</b>
<b>Cash flows used in investing activities</b>		
Acquisitions of property and equipment	(45,791)	(135,572)
<b>Net cash used in investing activities</b>	<b>(45,791)</b>	<b>(135,572)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from exercise of share options and warrants	16,000	344,673
Contributions from WINN (note 8)	590,662	507,875
Repayment of borrowings	(119,333)	(103,767)
Payment of finance lease liabilities (note 8)	-	(10,946)
<b>Net cash from (used in) financing activities</b>	<b>487,329</b>	<b>737,835</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,125,276)</b>	<b>498,026</b>
Cash and cash equivalents, beginning	2,014,135	709,958
Effect of exchange rate fluctuations on cash held	7,783	(26,377)
<b>Cash and cash equivalents, ending</b>	<b>896,642</b>	<b>1,181,607</b>

See accompanying notes to condensed consolidated interim financial statements.

Under the transition method chosen for application of IFRS15, comparative information has been restated (note 3).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Reporting entity

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

The condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2018 and 2017 consist of the Company and its subsidiaries.

FLYHT’s mission is to improve aviation safety, efficiency and profitability. Airlines, leasing companies, fractional owners and original equipment manufacturers have installed the Automated Flight Information Reporting System (AFIRS™) on their aircraft to capture, process and stream aircraft data with real-time alerts. AFIRS sends this information through satellite networks to the UpTime™ Cloud data center, which provides aircraft operators with direct insight into the operational status and health of their aircraft and enables them to take corrective action to maintain the highest standard of operational control.

## 2. Basis of preparation

### *(a) Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017. This is the second set of FLYHT’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 3. These condensed consolidated interim financial statements were approved by the Board of Directors on August 8, 2018.

### *(b) Basis of measurement*

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

### *(c) Functional and presentation currency*

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

### *(d) Going concern*

These condensed consolidated interim financial statements have been prepared on the basis that the Company will continue to realize its assets and meet its obligations in the ordinary course of business. As at June 30, 2018, the Company had positive working capital of \$1,252,937 and a deficit of \$68,523,383. For the six months ended June 30, 2018, the Company had a net loss of \$1,231,669 and cash flow used in operating activities of \$1,566,814.

The consistent achievement of positive earnings 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 and contracts for delivery of AFIRS units and related services. 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.

For the Company to continue as a going concern longer-term, it will need to achieve profitability and additional financing to fund ongoing operations. If general economic conditions in the industry or the financial condition of a major customer deteriorates, or revenue streams and/or markets do not improve, 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. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

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

### 3. Significant accounting policies

Except as described below, the accounting policies set out in note 3 of FLYHT's December 31, 2017 consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements. These accounting policies have also been applied consistently by FLYHT's subsidiaries.

#### IFRS 15

Effective January 1, 2018 the Company adopted the amendments of IFRS 15, which implemented a single model that applies to contracts with customers with two approaches to recognizing revenue: at a point in time and over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. The retrospective method was used to ensure comparability, which required quarterly restatement of comparative periods. No restatement was made for contracts completed by January 1, 2017. Opening 2017 retained earnings was adjusted for the cumulative effect prior to that date.

The following describes the nature of resulting changes in accounting policies for each revenue stream, including the timing of each performance obligation and any significant payment terms.

#### SaaS

Revenue from sales of Software as a Service is recognized over time as these services are provided. Invoices based on usage are generated monthly and typically are payable within 30 days.

#### AFIRS Hardware

Control of AFIRS Hardware is transferred upon shipment. Invoices are generated and revenue is recognized at that point in time. Payment terms are based on the creditworthiness of each customer, which results in either a grant of net terms or a requirement to transact on a prepayment basis only. Transaction price is determined by contract or purchase order. Under IAS 18, revenue was deferred until the risks and rewards had been transferred to the buyer. For contracts under which customer acceptance was determined based on installation of the system, revenue and associated cost of goods sold is recognized sooner under IFRS 15 than IAS 18.

#### Licensing

Control over modems and associated IP licenses is transferred upon shipment, at which point the revenue is recognized. Payment is typically due net 30 post shipment.

#### Technical Services

Revenue from Technical Services is recognized over time, as the services are provided or as the associated asset is developed. Payment terms for these services typically follow terms established for AFIRS Hardware.

The effect of initially applying this standard is mainly earlier recognition of revenue from AFIRS Hardware. IFRS 15 did not have a significant impact on revenue from SaaS, Licensing, nor Technical Services. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determination of the timing of this transfer often requires judgement. Management assesses each contract for appropriate allocation of transaction price among performance obligations, including an expected margin analysis and evaluation of consistently applied pricing methods.

The following tables summarize the impact of the Company's transition to IFRS 15.

Comprehensive statement of income, affected categories:

	For the three months ended June 30 2017			For the six months ended June 30 2017		
	Previously reported	IFRS 15 adjustments	Amounts adjusted for IFRS 15	Previously reported	IFRS 15 adjustments	Amounts adjusted for IFRS 15
Revenue	3,388,030	(145,648)	3,242,382	7,117,112	(93,611)	7,023,501
Cost of sales	1,124,487	(110,376)	1,014,111	2,263,089	(64,403)	2,198,686
<b>Gross profit</b>	<b>2,263,543</b>	<b>(35,272)</b>	<b>2,228,271</b>	<b>4,854,023</b>	<b>(29,208)</b>	<b>4,824,815</b>

Comprehensive statement of financial position, affected categories:

	December 31, 2017			January 1, 2017		
	Previously reported	IFRS 15 adjustments	Amounts adjusted for IFRS 15	Previously reported	IFRS 15 adjustments	Amounts adjusted for IFRS 15
<b>Trade and other receivables</b>	1,887,251	(236,677)	1,650,574	2,105,385	(113,725)	1,991,660
<b>Contract assets</b>	-	313,634	313,634	-	113,725	113,725
<b>Current inventory</b>	1,563,558	(231,665)	1,331,893	1,556,794	(467,488)	1,089,306
<b>Unearned revenue</b>	(413,809)	413,809	-	(827,235)	807,369	(19,866)
<b>Deficit</b>	(67,550,815)	259,101	(67,291,714)	(67,795,200)	339,881	(65,455,319)

## IFRS 9

Effective January 1, 2018 the Company also adopted the amendments of IFRS 9 which replaced the 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. The Company evaluates impairment of receivables using an expected credit loss model, which involves assessing potential credit impairment at each reporting date. Adopting this standard has not had a material impact on the Company's financial statements.

## 4. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in note 3.

## 5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods, all of which are determined using a number of observable inputs other than quoted prices in active markets.

- Share based payment transactions: measured using the Black-Scholes option pricing model;
- Loans and borrowings: for measurement purposes, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the inception of the loan.
- Trade and other receivables, trade payables and accrued liabilities: carrying value approximates fair value, due to the short-term nature of the instruments.

## 6. Earnings per share

### *Basic earnings per share*

The calculation of basic and diluted earnings per share for the quarter ended June 30, 2018 was based on a weighted average number of common shares outstanding of 21,058,894 (basic and diluted) (Q2 2017: basic 20,945,728 and diluted 21,060,537). The calculation of diluted earnings per share did not include stock options of 888,498 (Q2 2017: 1,116,079) and warrants of nil (Q2 2017: 1,708,209) because they would be anti-dilutive.

## 7. Disaggregation of revenue

The Company has one operating segment. The following revenue is based on the geographical location of customers. All non-current assets (property and equipment and intangible assets) reside in Canada.

	For the three months ended June 30		For the six months ended June 30	
	2018 \$	2017 \$	2018 \$	2017 \$
North America	1,831,818	2,071,535	3,311,770	4,259,737
South/Central America	83,670	103,102	166,324	204,125
Africa	111,311	141,595	215,796	229,737
Middle East	325,128	212,474	1,456,237	471,282
Europe	51,513	75,406	112,701	147,236
Australasia	171,168	154,681	331,636	328,006
Asia	571,658	483,589	870,113	1,383,378
<b>Total</b>	<b>3,146,266</b>	<b>3,242,382</b>	<b>6,464,577</b>	<b>7,023,501</b>

The following revenue is based on timing of revenue recognition.

	For the three months ended June 30		For the six months ended June 30	
	2018 \$	2017 \$	2018 \$	2017 \$
Products transferred at a point in time	1,977,324	2,061,612	4,170,556	4,655,127
Products and services transferred over time	1,168,942	1,180,770	2,294,021	2,368,374
<b>Total</b>	<b>3,146,266</b>	<b>3,242,382</b>	<b>6,464,577</b>	<b>7,023,501</b>

The following shows revenue per major product and service categories.

	For the three months ended June 30		For the six months ended June 30	
	2018 \$	2017 \$	2018 \$	2017 \$
SaaS	1,079,214	1,158,340	2,122,244	2,312,813
AFIRS Hardware	854,350	743,115	2,420,620	1,813,179
Licensing	1,122,974	1,318,497	1,749,936	2,841,948
Technical Services	89,728	22,430	171,777	55,561
<b>Total</b>	<b>3,146,266</b>	<b>3,242,382</b>	<b>6,464,577</b>	<b>7,023,501</b>

### *Contract balances*

Contract assets relate primarily to the Company's rights to consideration for work completed but not billed at the reporting date. Customer deposits include prepayments received from customers for AFIRS Hardware, for which revenue is recognized upon shipment, and for Technical Services, for which revenue is recognized over time.

### *Major customers*

Revenues from the three largest customers represent approximately 49.5% and 48.1% of the Company's total revenues for the three and six months ended June 30, 2018 respectively (2017: 53.6% and 50.4%).

## 8. Cash flow movement of liabilities arising from financing activities

At June 30, 2018, under the Strategic Aerospace and Defence Initiative (SADI), the Company has an outstanding repayable balance of \$1,507,481 (\$1,626,814 at December 31, 2017). 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 the second quarter of 2018 was \$119,333 (Second quarter of 2017 \$103,767)

On November 9, 2016, the Company signed a contribution agreement with Western Economic Diversification Canada for a Western Innovation initiative (WINN) loan to support plans for technology development in the air and ground components of the products. Under the terms of the agreement, a repayable unsecured WINN contribution to the value of the lesser of 50% of the eligible project costs to March 31, 2019 or \$2,350,000 will be received. The amount is repayable over five years commencing January 1, 2020. At June 30, 2018, the Company had received contributions of \$1,671,320 (\$1,080,658 at December 31, 2017).

A summary of the carrying value of the SADI and WINN loans as at June 30, 2018 and 2017 and changes during these three and six months is presented below.

	2018 \$			2017 \$		
	SADI	WINN	Total	SADI	WINN	Total
Balance March 31	1,214,804	1,020,099	2,234,903	1,120,692	54,390	1,175,082
Received	-	273,468	273,468	-	422,146	422,146
Repayments	(119,333)	-	(119,333)	(103,768)	-	(103,768)
Grant portion	-	(100,544)	(100,544)	-	(234,711)	(234,711)
Interest accretion	50,916	26,653	77,569	47,122	7,102	54,224
<b>Balance June 30</b>	<b>1,146,387</b>	<b>1,219,676</b>	<b>2,366,063</b>	<b>1,064,046</b>	<b>248,927</b>	<b>1,312,973</b>
Less current portion	119,332	-	119,332	103,767	-	103,767
Non-current portion	1,027,055	1,219,676	2,246,731	960,279	248,927	1,209,206

	2018 \$			2017 \$		
	SADI	WINN	Total	SADI	WINN	Total
Balance January 1	1,162,679	792,338	1,955,017	1,072,641	-	1,072,641
Received	-	590,662	590,662	-	507,876	507,876
Repayments	(119,333)	-	(119,333)	(103,768)	-	(103,768)
Grant portion	-	(210,173)	(210,173)	-	(266,746)	(266,746)
Interest accretion	103,041	46,849	149,890	95,173	7,797	102,970
<b>Balance June 30</b>	<b>1,146,387</b>	<b>1,219,676</b>	<b>2,366,063</b>	<b>1,064,046</b>	<b>248,927</b>	<b>1,312,973</b>
Less current portion	119,332	-	119,332	103,767	-	103,767
Non-current portion	1,027,055	1,219,676	2,246,731	960,279	248,927	1,209,206

## 9. Related parties

FLYHT appointed an interim CFO from June 5 to November 5, 2017. The services were provided by a company controlled by a director of FLYHT. This company also provided certain financial services in Q2 2018. All of the transactions with the related party were at exchange amounts that approximated fair value and were supported by a third-party receipt.

	For the six months ended June 30	
	2018 \$	2017 \$
Amounts included in:		
Contract labour	12,900	-
Accounts payable and accrued liabilities	12,900	-

## 10. Subsequent events

On June 27, 2018 the Company announced that was proposing a non-brokered debt offering of convertible debentures of FLY for aggregate gross proceeds of up to \$2,000,000.

The TSX Venture Exchange conditionally approved the transaction and the financing closed on July 24, 2018.

The details of the debt financing are as follows: The Debentures will mature on July 24, 2021 (if not otherwise converted) and will bear interest at a rate of 8% per annum, which shall be accrued and paid annually in arrears. The Debentures shall be convertible at the option of the debenture holder into common shares of the Corporation ("Common Shares") at a conversion rate of \$1.30 per share at any time prior to maturity, subject to a forced conversion (at a conversion rate of \$1.30 per share) into Common Shares should the closing price of the Company's Common Shares be equal to or exceed \$1.80 for 20 consecutive trading days.

Purchasers of Debentures received a capital discount of 2.5% on the financing (meaning that for every \$1.00 Debenture acquired, purchasers of Debentures paid \$0.975 to the Company).

769,200 warrants ("Warrants") were issued to the purchasers of the Debentures (for every \$1.00 principal amount of Debentures acquired pursuant to the offering, Debenture holders received approximately 0.3846 Warrants). Each whole Warrant shall be exercisable to acquire one Common Share of the Corporation for a period of two (2) years from the date of issuance at an exercise price of \$1.45 per share. The Warrants are subject to an acceleration clause, whereby, if after four months and one day following the date the Warrants are issued, the closing price of the Company's Common Shares is equal to or exceeds \$1.90 for 20 consecutive trading days (with the 20th such trading date hereafter referred to as the "Eligible Acceleration Date"), the Warrant expiry date shall accelerate to the date which is 30 calendar days following the date a press release is issued by the Company announcing the reduced warrant term, provided, no more than five business days following the Eligible Acceleration Date: (i) the press release is issued; and (ii) notices are sent to all warrant holders.

# CORPORATE INFORMATION

## Registrar and Transfer Agent

Computershare Trust Company of Canada  
Telephone: 1-403-267-6800  
Online: Investor Centre – contact us section  
[www.computershare.com](http://www.computershare.com)

## Share Listing

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

## Investor Relations

Email: [investors@flyht.com](mailto:investors@flyht.com)  
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Toll free: 1-866-250-9956  
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Adelaide Capital Markets Inc.  
Deborah Honig  
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## Directors

Bill Tempany  
John Belcher  
Mike Brown  
Barry Eccleston  
Jacques Kavafian  
Doug Marlin  
Jack Olcott  
Mark Rosenker  
Paul Takalo

Chairman, FLYHT Aerospace Solutions Ltd.  
Former Chairman and Chief Executive Officer, ARINC Inc.  
Partner, Geselbracht Brown  
President, Airbus Americas, Inc. (retired)  
Director  
President, Marlin Ventures Ltd.  
President, General Aero Company  
United States Air Force (retired)  
Director

## Officers

Thomas R. Schmutz  
Alana Forbes  
Derek Graham  
David Perez  
Matieu Plamondon

Chief Executive Officer  
Chief Financial Officer  
Chief Technical Officer  
Vice President Sales and Marketing  
Chief Operating Officer

## Auditor

KPMG LLP

Calgary, Alberta

## Legal Counsel

Chris Croteau

Tingle Merrett LLP, Calgary, Alberta

## Head Office

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Calgary, Alberta T2E 7P1