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FLYHT AEROSPACE SOLUTIONS LTD.

THIRD QUARTER

FINANCIAL STATEMENTS

2019

Auditors’ Involvement

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

The auditors of FLYHT Aerospace Solutions Ltd. have not performed a review of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and September 30, 2018.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	September 30, 2019	December 31, 2018
	$	$
Assets		
Current Assets		
Cash and cash equivalents	2,040,638	2,406,769
Short-term investments (note 3)	500,000	-
Trade and other receivables	3,977,329	3,440,767
Contract assets	396,615	395,695
Deposits and prepaid expenses	454,836	227,065
Inventory	1,408,745	1,066,946
Total current assets	8,778,163	7,537,242
Non-current assets		
Leased assets	1,087,931	-
Property and equipment	457,648	480,270
Intangible assets	34,992	34,992
Inventory	1,170,376	1,044,766
Total non-current assets	2,750,947	1,560,028
Total assets	**11,529,110**	**9,097,270**
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	3,447,037	2,342,754
Customer deposits	215,611	661,833
Contract liabilities	1,096,789	1,524,894
Current lease liabilities	629,649	-
Current loans and borrowings (note 9)	574,608	129,465
Current tax liabilities	-	272
Total current liabilities	5,963,694	4,659,218
Non-current liabilities		
Lease liabilities	602,234	-
Loans and borrowings (note 9)	4,083,579	4,420,714
Provisions	45,735	43,701
Total non-current liabilities	4,731,548	4,464,415
Total liabilities	**10,695,242**	**9,123,633**
Equity (deficiency)		
Share capital	58,755,945	58,430,455
Convertible debenture – Equity feature	173,524	207,273
Warrants	50,712	50,712
Contributed surplus	10,613,099	10,494,208
Cumulative Translation Adjustment	(8,267)	35,638
Deficit	(68,751,145)	(69,244,650)
Total equity (deficiency)	833,868	(26,364)
Total liabilities and equity	**11,529,110**	**9,097,270**

See accompanying notes to condensed consolidated interim financial statements, including the going concern (note 2d).

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 September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Revenue (note 8)	5,197,446	3,092,113	16,889,547	9,556,690
Cost of sales	2,674,856	1,344,643	7,249,085	3,749,039
Gross profit	2,522,590	1,747,470	9,640,462	5,807,651
Distribution expenses	1,941,927	1,395,475	6,302,699	3,918,020
Administration expenses	941,060	780,899	3,013,321	1,994,574
Research, development and certification engineering expenses	939,935	398,275	2,668,219	1,842,242
Income (loss) from operating activities	(1,300,332)	(827,179)	(2,343,777)	(1,947,185)
Other Income	623,544	-	3,485,277	-
Finance (income)	(3,845)	(3,165)	(16,519)	(8,917)
Finance costs	104,440	127,534	689,778	245,957
Net finance costs	100,595	124,369	673,259	237,040
Income (loss) before income tax	(777,383)	(951,548)	468,241	(2,184,225)
Income tax (expense) recovery	(265)	(1,486)	5	(479)
Income (loss) for the period	(777,648)	(953,034)	468,246	(2,184,704)
Foreign currency translation adjustment	3,501	4,736	(43,905)	5,442
Comprehensive income (loss) for the period	(774,147)	(948,298)	424,341	(2,179,262)
Income (loss) per share (note 7)				
Basic and diluted income (loss) per share	(0.04)	(0.05)	0.02	(0.10)

See accompanying notes to condensed consolidated interim financial statements.

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

For the nine months ended September 30, 2019 and 2018

	Share Capital $	Convertible Debenture $	Warrants $	Contributed Surplus $	Cumulative Translation Adjustment	Deficit $	Total Equity (Deficit) $
Balance at December 31, 2018	58,430,455	207,273	50,712	10,494,208	35,638	(69,244,650)	(26,364)
Adjustment on initial application of IFRS 16						25,259	25,259
Balance at January 1, 2019	58,430,455	207,273	50,712	10,494,208	35,638	(69,219,391)	(1,105)
Income for the period	-	-	-	-	(43,905)	468,246	424,341
Total comprehensive income for the period	-	-	-	-	(43,905)	468,246	424,341
Contributions by and distributions to owners							
Share-based payment transactions	-	-	-	118,891	-	-	118,891
Conversion of debt	325,490	(33,749)	-	-	-	-	291,741
Total contributions by and distributions to owners	325,490	(33,749)	-	118,891	-	-	410,632
Balance at September 30, 2019	58,755,945	173,524	50,712	10,613,099	(8,267)	(68,751,145)	833,868
Balance at January 1, 2018	58,409,225	-	911,282	9,349,871	(19,254)	(67,277,902)	1,373,222
Loss for the period	-	-	-	-	5,442	(2,184,704)	(2,179,262)
Total comprehensive loss for the period	-	-	-	-	5,442	(2,184,704)	(2,179,262)
Contributions by and distributions to owners							
Share-based payment transactions	-	-	-	73,077	-	-	73,077
Warrants issued	(248,528)	-	248,528	-	-	-	-
Warrants exercised	21,230	-	(5,230)	-	-	-	16,000
Warrants expired	-	-	(906,052)	906,052	-	-	-
Total contributions by and distributions to owners	(227,298)	-	(662,754)	979,129	-	-	89,077
Balance at September 30, 2018	58,181,927	-	248,528	10,329,000	(13,812)	(69,462,606)	(716,963)

See accompanying notes to condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	For the nine months ended September 30	
	2019	2018
	$	$
Cash flows from (used in) operating activities		
Income (loss) for the period	468,246	(2,184,704)
Depreciation – property and equipment	176,533	104,366
Depreciation – leased assets	411,271	-
Convertible debenture accretion	195,742	40,279
Grant portion of contributions from WINN	(103,786)	(305,845)
Government loan accretion	291,205	232,146
Equity-settled share-based payment expense	118,891	73,077
Change in inventories	(467,410)	345,838
Change in trade and other receivables	(526,877)	203,034
Change in contract assets	(920)	58,812
Change in prepayments	(227,771)	(16,119)
Change in trade and other payables	1,156,410	(258,517)
Change in customer deposits	(446,222)	(762,746)
Change in provisions	2,044	(30,351)
Unrealized foreign exchange gain/(loss)	9,838	38,302
Interest expense	73,688	2,547
Interest paid	(18,777)	(2,547)
Interest income	(16,519)	(8,917)
Interest received	15,664	8,917
Income tax expense (recovery)	(5)	480
Income tax paid	(277)	(8,434)
Net cash from (used in) operating activities	1,110,968	(2,470,382)
Cash flows (used in) investing activities		
Acquisitions of property and equipment	(132,784)	(65,512)
Net cash (used in) investing activities	(132,784)	(65,512)
Cash flows from (used in) financing activities		
Subsidy payment received	3,057,172	-
Less subsidy recognized	(3,485,277)	-
Purchase of short-term investments	(500,000)	-
Proceeds from exercise of share options and warrants	-	16,000
Proceeds from debenture	-	1,865,625
Repayment of borrowings	(271,183)	(119,333)
Contributions from WINN	311,196	841,343
Accretion of lease liability	(391,403)	-
Net cash from (used in) financing activities	(1,279,495)	2,603,635
Net increase (decrease) in cash and cash equivalents	(301,311)	67,741
Cash and cash equivalents, beginning	2,406,769	2,014,135
Effect of exchange rate fluctuations on cash held	(64,820)	(16,634)
Cash and cash equivalents, ending	2,040,638	2,065,242

See accompanying notes to condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

FLYHT Aerospace Solutions Ltd. (the "**Company**" or "**FLYHT**") was founded in 1998 under the name AeroMechanical Services Ltd. FLYHT is a public company incorporated under the Canada Business Corporations Act, and is domiciled in Canada. The Company has been listed on the TSX Venture Exchange since March 2003, first as TSX.V: AMA and as TSX.V: FLY since 2012 and has been listed on the OTCQX marketplace since June 2014 as OTCQX: FLYLF. FLYHT is publicly traded as FLY in Canada on the TSX.V; and as FLYLF in the USA on the OTCQX. FLYHT is based in Calgary, Canada with an office in Littleton, Colorado and is an AS9100 Quality registered company. For more information visit www.flyht.com.

These condensed consolidated interim financial statements of the Company as at and for the periods ended September 30, 2019 consolidate the accounts of the Company and its wholly owned subsidiaries, FLYHT Inc., AeroMechanical Services USA Inc., FLYHT Corp. and FLYHT India Corp. The latter three subsidiaries are inactive. TFM Inc., formerly an inactive wholly owned subsidiary of the Company, has been dissolved.

FLYHT's mission is to improve aviation safety, efficiency and profitability. Globally, and for more than 20 years, airlines, leasing companies, fractional owners and original equipment manufacturers have installed FLYHT's differentiated aircraft and enterprise-based solutions to deliver real-time, flight-deck, satellite connectivity for tracking, health monitoring, and streaming of operational, maintenance and weather data.

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, 2018. Changes to significant accounting policies are described in note 3. These condensed consolidated interim financial statements were approved by the Board of Directors on November 26, 2019.

(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 ("SFP").

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of FLYHT Aerospace Solutions Ltd. is CAD, while FLYHT Inc.'s is USD.

(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. At September 30, 2019, the Company had positive working capital of $2,814,469 compared to positive $2,878,024 as of December 31, 2018.

The consistent achievement of positive earnings is necessary before the Company can consistently improve liquidity. The Company has continued to expand its cash flow potential through its continued marketing drive to clients around the world and contracts for delivery of hardware units and related services. Additionally, the acquisition of PWS has provided the Company the opportunity to realize efficiencies of scale through increasing both service and hardware revenues.

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. The subsequent events note (note 11) describes a private placement offering of up to $6 million (Offering) announced on October 15, 2019 and closed in two tranches on November 15 and November 25, 2019. The net proceeds from the Offering will be used to assist in the funding of new development programs to diversify the Company's product offering, to expand the Company's sales and marketing efforts in order to accelerate sales, to augment the working capital needs of the Company which have become greater due to recent business expansion and for general working capital purposes. The Company also has an undrawn credit facility of $1.5 million, $2.663 million in contributions under WINN loans not yet received and if the need arises due to market opportunities, the Company may meet cash-flow needs via the capital markets.

For the Company to continue as a going concern longer-term, it will need to achieve profitability and may require 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, 2018 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.

(a) New Standard - IFRS 16

The Company has adopted IFRS 16 *Leases* from January 1, 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company has recognized right-of-use assets (ROA) representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases.

The Company elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(b) Significant accounting policy

Leases – as a lessee

The Company leases properties and office equipment.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

The ROA is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for lease payments made on or before the commencement date, initial direct costs and any lease incentives received.

Subsequently, the ROA is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROA and the end of the lease term. In addition, the ROA is reduced for any impairment losses and is adjusted for measurements of the lease obligation.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives received. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(c) Transition

On transition to IFRS 16 as at January 1, 2019 the Company recognized ROA of $1,556,589 and lease liabilities of $1,556,589.

On initial adoption of IFRS 16, the Company elected to use the following practical expedients, where applicable:

- For leases previously classified as ROA, the Company has elected to measure the ROA as if the new standard had always been applied since commencement of the lease discounted using the incremental borrowing rate at the date of initial use.
- Initial indirect costs were excluded from the measurement of the ROA on date of initial application.
- Leases with a term of 12 months or less will be excluded from the IFRS 16 lessee model and will be recognized directly in profit or loss in line with how leases have been treated historically.
- Leases for which the term ends within 12 months from January 1, 2019 will be recognized directly in profit or loss in line with how leases have been treated historically.
- Leases of low value will be excluded from the IFRS 16 lessee model and recognized directly in profit or loss in line with how leases have been treated historically.

The effect of adoption of IFRS 16 is as follows:

	December 31, 2018	**IFRS 16 adjustments**	**January 1, 2019**
	$	**$**	**$**
Assets			
Right-of-use assets	-	1,556,589	1,556,589
Current Liabilities			
Leased assets	-	586,902	586,902
Non-current Liabilities			
Leased assets	-	969,687	969,687
Equity			
Deficit	(69,244,650)	25,259	(69,219,391)

When measuring the lease liabilities at the date of adoption, the Company discounted lease payments using the Company's incremental borrowing rate. The weighted average rate of the incremental borrowing rate applied was 6.5%.

For the three and nine months ended September 30, 2019, the Company has recognized depreciation expense of $137,989 and $411,271 related to leased assets and finance lease expenses of $22,575 and $71,722 respectively.

(d) Short-term investments

Short-term investments include guaranteed investment certificates. Short-term investments are recorded at fair value with gains and losses recorded in the statement of operations and changes in net assets in the period in which they arise.

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 16 effective January 1, 2019 (note 3).

5. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement 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.

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

(b) Loans and borrowings: for measurement purposes, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the inception of the loan. In respect of the liability component of convertible debentures, the market rate of interest is determined by reference to similar liabilities that do not have a conversion feature.

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

6. Share based payments

The Company grants stock options to its directors, officers, employees and consultants. In the second quarter of 2019 the Company granted 376,275 options under this stock option plan. These options expire May 9, 2023 and have an exercise price of $1.50 per share, with options vesting 1/3 on each of May 9, 2020, 2021, and 2022. The options were granted at an exercise price not less than fair market value of the stock on the date of issuance.

7. Earnings per share

Basic earnings per share

The calculation of basic and diluted earnings per share for the three months ended September 30, 2019 was based on a weighted average number of common shares outstanding of 21,319,108 (basic and diluted) (Q3 2018: 21,059,137 basic and diluted). The calculation of Q3 2019 earnings per share did not include vested stock options of 742,666 (Q3 2018: 876,463), warrants of 769,200 (Q3 2018: 769,200), nor convertible debentures of 1,674,359 (Q3 2018: 2,000,000) because they would have been anti-dilutive.

The calculation of basic and diluted earnings per share for the nine months ended September 30, 2019 was based on a weighted average number of common shares outstanding of 21,164,786 (basic) and 21,398,438 (diluted) (nine months ended September 30, 2018: 21,059,137 basic and diluted). The calculation of 2018 diluted earnings per share did not include vested stock options of 876,463, warrants of 769,200, nor convertible debentures of 2,000,000 because they would have been anti-dilutive.

8. 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, with the exception of property and equipment with a carrying amount of $665,359 USD, located at FLYHT's offices in Littleton, CO.

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
North America	1,797,958	972,603	7,240,717	4,284,373
South/Central America	79,857	247,322	240,919	413,646
Africa	143,588	116,901	453,095	332,697
Middle East	279,320	140,711	1,820,892	1,596,948
Europe	107,480	574,455	416,818	687,156
Australasia	175,998	155,924	489,088	487,560
Asia	2,613,245	884,197	6,228,018	1,754,310
Total	**5,197,446**	**3,092,113**	**16,889,547**	**9,556,690**

The following shows revenue per major product and service categories.

	For the three months ended September 30		For the nine months ended September 30	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
SaaS	2,649,345	1,145,368	7,535,457	3,267,612
Hardware	1,864,523	1,651,592	5,994,095	4,072,212
Licensing	589,546	265,492	2,468,820	2,015,428
Technical Services	94,032	29,661	891,175	201,438
Total	**5,197,446**	**3,092,113**	**16,889,547**	**9,556,690**

In the categories listed in the revenue sources chart, Software as a Service (**SaaS)** is the recurring revenue from the Company's products that allows customers to utilize and analyze data they receive from units, use of functions such as the satellite phone and the sale of weather data collected by units. These usage fees are recognized as the service is provided based on actual customer usage each month. **Hardware** includes the income from hardware sales and related parts required to install the unit, spare units, spare installation parts, and Underfloor Stowage Units. **Licensing** includes sales of modems with a related manufacturing license fee. **Technical Services** includes all services offered by the Company, including repairs and other expertise.

Major customers

Revenues from the three largest customers represent approximately 57.1% and 44.5% of the Company's total revenues for the three and nine months ended September 30, 2019 (2018: 49.5% and 48.1%).

9. Cash flow movement of liabilities arising from financing activities

At September 30, 2019, under the Strategic Aerospace and Defence Initiative (SADI), the Company has an outstanding repayable balance of $1,370,247 ($1,507,481 at September 30, 2018). 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. There were no repayments in the third quarter of 2019 (third quarter of 2018: nil)

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 its 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 would be received. The amount is repayable over five years commencing January 1, 2020. At September 30, 2019, the Company had received the total contribution available of $2,350,000 ($2,137,202 at December 31, 2018).

In November 2018, the Company signed a second contribution agreement with Western Economic Diversification Canada for a Western Innovation initiative (WINN) loan, to support development of the next generation of AFIRS hardware and embedded software to address parts obsolescence issues and add new market-driven features. Under the terms of the agreement, a repayable unsecured WINN contribution to the value of the lesser of 44% of the eligible project costs to April 30, 2021 or $2,761,000 will be received. A March 31, 2019 amendment adjusted the end date for eligible project costs to September 30, 2021. The amount is repayable over five years commencing October 1, 2021. At September 30, 2019, the Company had received contributions of $98,398 (December 31, 2018: nil).

A summary of the carrying value of the SADI and WINN loans as at September 30, 2019 and 2018 and changes during these three and nine months is presented below.

	2019 $				2018 $		
	SADI	**WINN 1**	**WINN 2**	**Total**	**SADI**	**WINN**	**Total**
Balance June 30	1,226,374	1,776,751	7,460	3,010,585	1,146,387	1,219,676	2,366,063
Received	-	-	85,948	85,948	-	250,682	250,682
Repayments	-	-	-	-	-	-	-
Grant portion	-	-	(13,273)	(13,273)	-	(95,673)	(95,673)
Interest accretion	55,676	43,262	1,589	100,527	51,995	30,261	82,256
Balance September 30	**1,282,050**	**1,820,013**	**81,724**	**3,183,787**	**1,198,382**	**1,404,946**	**2,603,328**
Less current portion	142,824	313,768	-	456,592	124,192	-	124,192
Non-current portion	1,139,226	1,506,245	81,724	2,727,195	1,074,190	1,404,946	2,479,136

	2019 $				2018 $		
	SADI	**WINN 1**	**WINN 2**	**Total**	**SADI**	**WINN 1**	**Total**
Balance January 1	1,252,743	1,569,663	-	2,822,406	1,162,679	792,338	1,955,017
Received	-	212,798	98,398	311,196	-	841,344	841,344
Repayments	(137,234)	-	-	(137,234)	(119,333)	-	(119,333)
Grant portion	-	(85,523)	(18,263)	(103,786)	-	(305,846)	(305,846)
Interest accretion	166,541	123,075	1,589	291,205	155,036	77,110	232,146
Balance September 30	**1,282,050**	**1,820,013**	**81,724**	**3,183,787**	**1,198,382**	**1,404,946**	**2,603,328**
Less current portion	142,824	313,768	**-**	456,592	124,192	-	124,192
Non-current portion	1,139,226	1,506,245	81,724	2,727,195	1,074,190	1,404,946	2,479,136

The Company issued Debentures with a nominal value of $2,000,000 on July 24, 2018 which will mature on July 24, 2021 (if not otherwise converted) and bear interest at a rate of 8% per annum, which is accrued and paid annually in arrears. The Debentures are convertible at the option of the debenture holder into common shares of FLYHT (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.

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 is exercisable to acquire one Common Share of FLYHT 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.

The Debentures are secured against all personal property of the Company and are subordinated in right of payment to all existing and future secured bank and/or governmental indebtedness of the Company and any existing security already registered against FLYHT's assets.

A summary of the carrying value of the debenture as at September 30, 2019 and the changes during these three and nine months is presented below.

	For the three months ended September 30		For the nine months ended September 30	
	2019 $	2018 $	2019 $	2018 $
Proceeds from issuance	-	1,607,641		1,607,641
Opening balance	1,623,571	-	1,727,773	-
Debenture conversion	(59,084)	-	(277,912)	-
Interest paid on conversions	(8,473)	-	(37,253)	-
Amortization of issue costs	6,103	4,511	18,111	4,511
Accrued interest	46,232	44,324	177,630	44,324
Interest paid	(133,949)	-	(133,949)	-
Carrying amount at September 30, 2019	**1,474,400**	**1,656,476**	**1,474,400**	**1,656,476**
Less current portion	118,016	-	118,016	-
Non-current portion	1,356,384	1,656,476	1,356,384	1,656,476

To date in 2019, the Company issued a total of 250,491 shares due to convertible debenture conversions, including:

- 19,723 in Q1 2019 at $1.30
- 177,514 in Q2 2019 at $1.30
- 53,254 in Q3 2019 at $1.30

10. Related parties

Certain financial services were provided in 2018 by a company controlled by a director of FLYHT. All transactions with the related party were at exchange amounts that approximated fair value and were supported by a third-party receipt.

	For the three months ended September 30		For the nine months ended September 30	
Amounts included in:	2019 $	2018 $	2019 $	2018 $
Contract labour	-	-	-	13,800
Accounts payable and accrued liabilities	-	-	-	-

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

Share Listing

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

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Directors

Bill Tempany	Chairman, FLYHT Aerospace Solutions Ltd.
Mike Brown	Partner, Geselbracht Brown
Barry Eccleston	President, Airbus Americas, Inc. (retired)
Doug Marlin	President, Marlin Ventures Ltd.
Jack Olcott	President, General Aero Company
Mark Rosenker	United States Air Force (retired)
Paul Takalo	Director
Nina Jonsson	Director
Mary I. McMillan	Director

Officers

Thomas R. Schmutz	Chief Executive Officer
Alana Forbes	Chief Financial Officer
Matieu Plamondon	Chief Operating Officer
Derek Graham	Chief Technical Officer
Jeffrey Rex	Vice President Sales and Marketing

Auditor

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