Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three and nine month periods ended March 31, 2014 and March 31, 2013

Date – May 30, 2014

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Star Navigation Systems Group Ltd. (the "Company" or "Star") for the three and nine month periods ended March 31, 2014 and 2013 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2013 and June 30, 2012. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Information contained herein is presented as at May 30, 2014.

Certain information in this MD&A or incorporated by reference, and in other public announcements by the Company is forward–looking and is subject to important risks and uncertainties. Words such as "may", "will", "believe", "expect", "anticipate", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements may be found in the Overview of Products, and General Development of the Business, and Results of Operations, Overview sections of this MD&A. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Forward–looking statements are necessarily based upon estimates and assumptions considered reasonable by management but which are subject to business, economic and competitive uncertainties. Results could differ materially from those projected in forward-looking statements. The Company continues to pursue sales and marketing efforts in the Middle East and developing countries. Therefore, the Company is potentially subject to risks involving political unrest, such as is still being experienced in Egypt, cultural differences, differing legal systems and business practices, and the significant added expense of travel and accommodation for Company personnel required to be onsite for sales, testing and installation duties. The Company endeavours to mitigate these risks as much as reasonably possible through the judicious use of secure financial instruments, experienced local sales agents and coordinated travel arrangements. Ongoing political events in the Middle East have resulted in some restriction of the Company's efforts there, although the Company recorded a sale to AlMasria Universal Airlines ("Almasria"), which is currently in the Supplemental Type Certificate ("STC") application process. As part of its internal reorganization, the Company now has the capacity to complete 100% of the design and data packages required for STC approval in-house. As stated previously with respect to the sale to Midwest (Egypt) Airlines, , the Company has been advised by MidWest that they have made changes to their fleet and the aircraft originally targeted for installation is no longer available. MidWest will advise the Company when an alternative aircraft becomes available. All other terms and conditions of the contract remain in force. In addition, other potential sales opportunities in Egypt have been impaired due to the current political unrest.

The Company's efforts are now primarily focused on North America, S.E. Asia, the Middle East, and Europe. Now that the Company has reassumed full control of the sales and marketing function from Paradigm, it continues to refine and expand the manner in which the STAR-A.D.S.™ system is marketed and sold.

Factors which could cause actual results to differ materially from current expectations include, among other things, the ability of the Company to successfully implement its strategic, sales, research and development and financing initiatives and whether such initiatives will yield the expected benefits. In addition, the ability of the STAR-A.D.S.™ sales and marketing team to successfully promote and sell the service is critical. Competitive conditions in the business in which the Company participates, supply chain interruptions, general economic conditions and normal business uncertainty, fluctuations in foreign currency exchange rates and changes in laws, rules and regulations applicable to the Company in the jurisdictions in which the Company operates are all factors to be taken into consideration. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, or future events or otherwise, except as may be required by law.

If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Readers are cautioned that forward-looking statements are not guarantees of future performance.

Further information relating to Star is available on SEDAR at www.sedar.com.

General Development of the Business

History

Star commenced its operations in May 2000 and was listed on the TSX Venture Exchange (the "Exchange") on August 29, 2002, under the symbol 'SNA'. The Company's head office is in Toronto, Ontario. Star has successfully tested, marketed and sold technology platforms that offer operators of land, sea and air assets real-time data-solutions which allow them the opportunity to reduce costs, track assets and enhance aviation and operator safety. The Company's products have global sales potential for both new and existing aircraft as well as other transportation assets. Star has the exclusive world-wide license to the patented STAR-ISMS® technology. Patents have been granted by Canada, the United States, the United Kingdom, India, Hong Kong and Australia.

Overview of Products

Capability of the STAR-ISMS® G2 System

The current system has been designed to provide real time, on board analyzed data over the Iridium satellite network. If the data indicates exceedance of the customer specified parameter limits for a particular system or function, and if the data suggests a significant issue, then the Iridium module is activated and a continuous stream of data is sent down for a predetermined time covering data generated both before and after the triggering event. If the exceedance is more routine, it is either reported immediately on an "Alert" basis, or is noted for further action in the post flight reporting.

The system sends the aircraft position at pre-determined intervals via the Data Management Centre ("DMC"). As the information is sent from the aircraft, senior management and critical ground crew are updated on their computer screens or PDA's as necessary.

This allows the ground crew and senior management to make and to optimize the decisions necessary to deal with a problem and to endeavour to eliminate any safety threats or potential costly delays on the ground.

The Company expects that the ability to access data analyzed in real time during a flight will allow the airlines to make the right decisions for safety, operational optimization and cost avoidance. In addition, the system provides for the supply of detailed follow-up reporting in a more timely fashion than any other system on the market, thus allowing the overall management of the fleet to be optimized.

In addition, utilizing data collected, Star's fuel management system allows the operator to refine operational improvements with regards to its fleet management so as to optimize fuel usage, generating direct, bottom-line savings to the airline.

Other complimentary products such as "STAR-ISMS® Lite" (flight tracking and monitoring system incorporating two-way voice and data), STAR-ISMS® Ultra Lite (an airborne asset tracking and monitoring system), as well as Terrestrial Monitoring and Marine Monitoring (which serve the same purpose for land and marine applications), are available and continue to be marketed. See the Company's website at www.star-navigation.com for more information.

The Company continues its efforts to conclude existing sales initiatives with customers in Pakistan, India, Europe and North America.

There has been some progress in discussions with appropriate authorities in India concerning the granting of the Indian Aeromobile license required to use the STAR-ISMS® in Indian airspace. As the Company's system cannot be utilized in the absence of such approval, negotiations which were underway with several airlines in India have been suspended, although the MH370 disaster may affect the situation..

Operational Milestones

During the year ended June 30, 2013 and for the nine month period ended March 31, 2014, the Company has made the following progress towards achieving its objectives:

- The Company announced a sale of the STAR-A.D.S.™ system to Almasria Universal Airlines of Egypt.

- The Company amended its agreement with Paradigm Services Limited in October 2013. This allows Star to assume full control of the sales and marketing functions of the business, in addition to its other responsibilities. Paradigm continues to supply communications services. The service was rebranded as "STAR-A.D.S.™" in order to reflect these changes.

- The Company continued its drive to forge alliances with manufacturers of complimentary products with a view to leveraging the synergies available, add to its product line and develop end to end solutions for the airline industry. Testing in various areas continues and the results are encouraging. The Company has augmented its research and development, engineering and software capabilities by increasing its complement of Professional Engineers (P.Eng.) on staff to five.

- Star continues discussions with various entities in China regarding manufacturing, collaboration and strategic alliances due to continuing delays in the COMAC 919 project.

- Star has received confirmation that Transport Canada has granted it a Supplemental Type Certificate ("STC") with respect to the installation of its STAR-ISMS® system on the Airbus A320 aircraft. This STC is granted for the recently completed Second Generation ("G2") STAR-ISMS® system. It is a major milestone in the commercial development of the system. The G2 STAR-ISMS® system offers enhanced functionalities while being smaller, lighter, and even more cost effective to the end users. The Airbus A320 series is one of the bestselling jet airliners in aviation history selling more than 10,000 aircraft as of February 2014. Airbus A320 jets are now being utilized in most regions of the world by airlines operating in the short to medium haul flight segment. The necessary work for this STC was 100% done in-house at STAR and reviewed by Transport Canada approved Designated Airworthiness Representatives ("DAR"). This is the latest addition to the STCs currently owned by the company, which include STC's for the STC for the Boeing B737 family of aircraft.

- Star has been successfully re-certified to the ISO 9001- 2010 / AS9100 Revision C Standard. AS9100 Rev. C is a widely adopted and standardized Quality Management System for the aerospace industry. Placed under the authority of the Society of Automotive Engineers and the European Association of Aerospace Industries, AS9100 incorporates ISO 9000 entirely, while adding additional requirements relating to quality, risk and safety. This ensures products have a consistently high level of quality, safety and reliability. Major aerospace manufacturers and suppliers world-wide require the certification as a precondition of doing business with them.

- The Company commenced the reorganization of its Sales & Marketing department by hiring a highly qualified aviation professional as VP, Global Sales in February 2014. He will co-ordinate and lead Star's sales department.

- The Company has completed the acquisition of the assets of Les technologies LUXELL Limited ("LUXELL"). (See Press Releases February 20 and April 1, 2014). This acquisition brings to Star new aerospace engineering capabilities, integrates and solidifies its supply chain, diversifies its product portfolio and grants immediate access to additional, complementary business and sales.

Outlook

Star's Management looks towards achieving the following objectives over the balance of calendar 2014:

- To execute the commercialization of the STAR-A.D.S.™ and develop new business opportunities in the field of aircraft critical data collection, analysis and transmission.

- To further develop the capability of its ground station and data management services.

- To continue to further develop and refine the military version of the STAR-ISMS® system.

- In conjunction with one of Stars strategic partners, further develop and refine the medical monitoring aspects of the STAR-ISMS®.

- Expand the Sales & Marketing presence of the Company at Airshows and Industry Conferences in a professional, efficient and rewarding manner.

- Continue R&D efforts to add functionality with respect to complete data download at the end of a flight. Continuing to update the functionality and utility of the STAR-ISMS® system in order to compete in a wider range of markets and to service more sophisticated requirements.

- Continue to closely monitor and defend our Intellectual Property and to challenge any infringement and take appropriate action.

- To take a leading position in the market through innovation and fast response to the changing requirements of our customer base.

- Expansion of the revenue stream from existing STAR-A.D.S.™,STAR-ISMS®, STAR-ISMS® Lite, STAR-ISMS® Ultra Lite and Terrestrial Monitoring products through effective sales, installation and world-wide marketing. Expand the product line through internal research and development as well as through targeted alliances with manufacturers of complimentary aerospace products.

Outlook (Cont'd)

- Diversification and expansion of its product line and solidification of its STAR-A.D.S.™ production with the acquisition of the assets of Luxell Quebec Technologies Inc. ("LUXELL"). (See Press Releases February 20 and April 1, 2014). This acquisition (now "STAR_MMI") brings to Star new aerospace engineering capabilities, integrates and solidifies its supply chain, diversifies its product portfolio and grants immediate access to additional, complementary business and sales. LUXELL has developed and produced customized Man Machine Interface ("MMI") products for large Fortune 500 aerospace and defense customers worldwide. It has also assisted in the design and produced Star's Gen 2 on-board computer. Star's MMI Division supplies high performance mission critical flight deck, flat panel displays for defense and commercial aviation industries worldwide. Some of the Star MMI Division's current customers include;
    - Lockheed Martin – USA , • Raytheon – USA, • BAE – UK, • Jepico – Japan and • IRTS – France

Selected Financial Information and Management's Discussion and Analysis

Annual Information

The fiscal year end of the Company is June 30. The following table summarizes the Company's audited financial results for the years ended June 30, 2013, 2012 and 2011.

	Year ended June 30, 2013	Year ended June 30, 2012	Year ended June 30, 2011
Total revenues	$115,717	$72,672	$98,591
Net Loss	$(2,919,007)	$(3,059,143)	$(3,758,212)
Total assets	$1,403,867	$1,189,360	$2,734,324
Total long term liabilities	$28,738	$65,167	$Nil
Cash dividends declared	$Nil	$Nil	$Nil

The Company continues to experience losses as it moves toward full commercialization of its STAR-ISMS® product. The Company has sustained losses for the last 3 fiscal years. Those losses (2013, 2012 and 2011) are averaging $3,245,454 per year.

The main factor contributing to these losses has been the Company's protracted transition from a research and development ("R&D") company into a company that is delivering its feature product, the STAR-A.D.S.™, into the commercial market.

Although sales have not been realized to date, the Company has taken the following steps to correct this:

1. Regained full direction and control over the Sales and Marketing function which had not been under its control as part of the Paradigm agreement (see Press Release Oct. 18/13).
2. Engaged a senior aviation sales and marketing professional to reorganize and manage the sales and marketing department.
3. Purchased the assets, patent technology and channel partner lists of Luxell. Luxell produced the STAR-ISMS® box and now Star has ensured that continuity. As well, Star has acquired the Man, Machine Interface ("MMI") business that Luxell operated. Star, through its MMI Division, is now poised to increase its revenue stream and diversify its product line.

The Company continues to be in a position whereby it will have to continue to raise money in the equity markets until it completes a significant sale of the STAR-A.D.S.™ system or the MMI division can generate sufficient revenues to reduce the number of equity raises the Company needs to continue operations.

The Company has completed private placements in September 2012, May 2013 and October 2013 and April 2014 (See Subsequent Events note) that collectively have raised $5,668,000 over the past two years. The Company also pursues other methods of raising money and has completed two shares for debt conversions since 2010 to further reduce its outstanding liabilities.

The Company's focus and attention continues to be, very strongly directed towards commercialization of its core system, the STAR-A.D.S.™, closing current sales initiatives with commercial airlines and now a strong push to expand its new MMI Division line of products and repair services.

The Company has almost no long-term debt at March 31, 2014. The Company recently entered into a new leasing arrangement to update its computer infrastructure and ensure the necessary security that is expected by airline customers. The Company has now entered into an agreement to co-locate its computer infrastructure and backup systems at 151 Front St., which houses the technology systems of some of the largest companies in the world. This move will ensure that Star can provide future customers with the confidence that the data generated by Star's system will be protected.

The Company will continue to sustain losses for the near future as it pushes towards full commercialization of the STAR-A.D.S.™ system and its newly acquired MMI division from Luxell.

- The cash balance at March 31, 2014 has dropped to $(27,877) as compared to $405,603 at June 30, 2013. The Company just recently completed another private placement in April 2014 (See Subsequent Events).

- Assets have risen due to the acquisition of Luxell for $1,500,000 paid in common shares of the Company (See Note 7 of the Unaudited Condensed Interim Consolidate Financial Statements).
- Accounts receivable and prepaid expenses fluctuate marginally from month to month.
- Inventory has increased due to the Luxell asset acquisition. Star now has multiple units of its STAR-ISMS® in stock and ready for sale.
- Property and equipment has increased because of the Luxell asset acquisition (See Note 7 of the Unaudited Condensed Interim Consolidate Financial Statements). There were additions to Development and Other asset additions in this period due to the Luxell acquisition.
- Accounts payable and accrued liabilities are up marginally from June 30, 2013.
- Amounts due to related parties have increased from June 30, 2013 due to the monthly accruals to certain of the Company directors each month.
- The Company's share capital continues to rise in conjunction with each completed equity raise. Common shares outstanding have gone up from 249,211,966 at June 30, 2013 to 286,656,966 at March 31, 2014.
- Results of operations continue to show losses. However, the Company has now moved from a "development stage" company to a "commercial" company with a fully viable product suite that it expects will be able to turn the tide on the quarterly losses. The Company will continue to invest money in the development of its STAR-ISMS® G2 unit and the STAR-A.D.S.™ service.

Summary of Quarterly Results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters.

(Expressed in $)

Three months	2014	2013	2013	2013
Period Ending	**March 31**	**December 31**	**September 30**	**June 30**
Revenue	8,069	9,912	13,855	(28,764)
Working Capital/(Deficit)	(1,257,900)	(784,092)	(1,089,984)	(593,019)
Expenses	754,484	680,466	581,742	918,234
Net Loss	(705,496)	(695,510)	(567,887)	(946,998)
Net Loss (per Share)	(0.002)	(0.02)	(0.02)	(0.01)

	2013	2012	2012	2012
Period Ending	**March 31**	**December 31**	**September 30**	**June 30**
Revenue	10,498	16,447	117,536	15,940
Working Capital/(Deficit)	(891,820)	(319,144)	179,639	(1,403,649)
Expenses	655,440	754,910	706,589	707,642
Net Loss	(644,942)	(738,463)	(588,604)	(691,702)
Net Loss (per Share)	(0.003)	(0.003)	(0.0028)	(0.004)

Quarter-over-quarter fluctuations for the last eight periods prior to March 31, 2014 are primarily as follows:

- Continued low revenue generation throughout these periods.
- Working capital continues to be in a deficit position that fluctuates with the Company's equity raises. The Company continues to spend money to get its product to market in the absence of any significant sales.
- Expenses per quarter for the last eight quarters have remained consistent averaging $719,938 per quarter.
- Net losses are averaging $697,450 per quarter for the last eight quarters due to research and development costs and no revenue generation.

RESULTS OF OPERATIONS
Comparison of the three and nine month periods ended March 31, 2014 and March 31, 2013.

The following commentary compares the unaudited condensed interim consolidated financial results for the three and nine month periods ended March 31, 2014 and 2013.

<u>Overview</u>:

The Company sustained a loss of $705,496 for the three month period ended March 31, 2014 vs. $644,942 for the three month period ended March 31, 2013. For the nine month period ended March 31, 2014 the loss amounts to $1,968,893 vs. $1,972,009 for the corresponding period of 2013. The decrease in loss in both the three and nine month periods is due to many variances including, but not limited to, increases/decreases in R&D costs, general and administration ("G&A") costs, marketing and promotional costs ("M&P"), foreign exchange costs and stock-based compensation.

The Company also continues to expand its visibility in the overseas markets. It hopes that the increased exposure will lead to increased sales figures as the world-wide economy stabilizes and airline companies increase their capital spending.

Revenues:

Revenues for the three month period ended March 31, 2014 have decreased by $2,429 over the same period in 2013 (2013 - $8,069 vs. 2013 - $10,498). For the nine month period sales are $31,836 vs. $144,481 for 2013.

The decrease in the three month period is a result of a lower number of STAR-ISMS® Lite customers and some existing customers flying less thereby resulting in lower fees being charged.

For the nine month period the large decrease from 2013 is a result of a sale of 3 STAR-ISMS® units to Paradigm that occurred in September 2012.

The Company continues to generate airtime revenue from customers who use the STAR-ISMS® Lite product. These revenues fluctuate from period to period depending on the usage of the STAR-ISMS® Lite devices in the aircraft and land vehicles. The decrease in air time from fielded units is a result of the rundown of North Atlantic Treaty Organization ("NATO") activity in Afghanistan and the termination of work at one of our land vehicle customers.

The Company did not sell any of its STAR-ISMS® Lite units during the nine month period ended March 31, 2014. The inconsistency in sales highlights the Company's push to market of its STAR-ISMS® and STAR-A.D.S™ products.

Cost of Sales:

Cost of Sales for the three and nine month periods ended March 31, 2014 decreased for the same reasons as the decline in sales revenue. The Company did not sell any of its STAR-ISMS® units in the current period. Cost of sales in the 2012 period contained the Air North pilot project costs which were higher than expected.

Sales of new aviation products can have a fairly long sales cycle and acceptance by several customers rather than just one is often a prerequisite to further sales. As a result the Company's margins have been kept low.

Research and Development:

Three Month Periods Ended March 31,					
	2014		2013		Variance
Total R&D expenses	295,135		258,993		36,142
Amortization expense	61,990		82,150		(20,160)
R&D Wages	195,644		157,572		38,072
Material costs	2,565		6,134		(3,569)
Research & development costs	25,050		6,343		18,707
STC costs	7,300		3,150		4,150
Travel costs	2,586		3,644		(1,058)

R&D expenses have increased by $36,142 for the three month period ended March 31, 2014 over the same period of 2013.

There have been new asset additions to equipment and development and other assets in this period (See Note 7 of the Unaudited Condensed Interim Consolidate Financial Statements).

Wages have increased by $38,072 due to an increase in wage costs which are reviewed and adjusted as necessary annually on Jan 1.

Research & Development costs were higher in 2014 due to costs incurred for its annual AS9100 recertification and some research costs spent furthering the ICG partnership.

Nine Month Periods Ended March 31,					
	2014		2013		Variance
Total R&D expenses	782,544		668,886		113,658
Amortization expense	189,104		203,229		(14,125)
R&D Wages	532,624		385,174		147,450
Material costs	11,612		19,711		(8,099)
Research & development costs	28,742		33,188		(4,446)
STC costs	7,300		17,810		(10,510)
Travel costs	13,162		9,774		3,388

Research and Development (Cont'd)

R&D expenses have increased by $113,658 for the nine month period ended March 31, 2014 over the same period of 2013. This change was driven by the following:

Amortization has decreased marginally over 2013. There have been no new asset additions in this period.

Wages have increased due to both wage increases for staff and the addition of two senior level staff members.

General and Administrative:

Three Month Periods Ended March 31,					
	2014		**2013**		**Variance**
Total G&A expenses	**262,808**		**316,981**		**(54,173)**
Board and Committee fees	38,199		37,810		389
Consultant cost	59,000		10,000		49,000
Insurance	12,676		17,744		(5,068)
Professional fees	31,048		23,685		7,363
Wages	970		142,773		(141,803)
Bank charges & interest	1,368		16,120		(14,752)
Other	119,547		68,849		50,698

G&A expenses have decreased by $54,173 for the three month period ended March 31, 2014 over the same period of 2013.

Board and Committee fees have remained relatively consistent with 2013. The Company now has 4 directors, three of which are non-executive board members.

Consulting costs include payments for services provided by an executive who is facilitating the growth of the MMI division. As well the Company incurred costs in association with the hiring of its' new sales director.

Professional fees are up slightly over 2013. Legal fees and accounting fees were similar to those of 2013.

Wages have decreased significantly for this three month period over the same in 2013. The decrease is due to the CEO reducing his salary draw from $22,500 per month down to $Nil for this period in order to assist the Company in managing its cash flow. This unpaid salary will be shown as an accrual amount in th e following fiscal quarter. Also, the Company has not filled the position of COO which has been vacant since July 2013.

General and Administrative (Cont'd)

Interest charges have risen in 2013 as the Company has now entered into an agreement with the CEO of the Company to accrue interest monthly at the rate of Business Prime Rate + 2% on an annual basis on the outstanding balance of monies owed to him.

Other expenses have increased in this quarter of 2014. The increases were minimal in amount and spread over several accounts.

Nine Month Periods Ended March 31,					
	2014		**2013**		**Variance**
Total G&A expenses	**730,392**		**1,014,280**		**(283,888)**
Board and Committee fees	113,429		121,798		(8,369)
Consultant cost	77,000		29,000		48,000
Insurance	49,209		58,796		(9,587)
Professional fees	105,332		140,336		(35,004)
Wages	65,492		398,683		(333,191)
Bank charges & interest	31,040		19,034		12,006
Public Company costs	29,915		45,207		(15,292)
Other	258,975		201,426		57,549

G&A expenses have decreased by $283,888 for the nine month period ended March 31, 2014 over the same period of 2013.

Board and Committee fees are down slightly over 2013. The Company now has 4 directors, three of which are non-executive board members.

Consulting costs include payments for services provided by an executive who is facilitating the growth of the MMI division. As well the Company incurred costs in association with the hiring of its' new sales director.

Professional fees have decreased over 2013 due to a decrease in the firm's legal and audit fees. Fees related to mediation costs for a former employee were incurred in 2013.

Interest charges have risen in 2014 as the Company has now entered into an agreement with the CEO of the Company to accrue interest monthly at the rate of Business Prime Rate + 2% on an annual basis of the outstanding balance of monies owed to him.

General and Administrative (Cont'd)

Wages have decreased significantly for this three month period over the same in 2013. The decrease is due to the CEO reducing his salary draw from $22,500 per month down to $Nil for this period in order to assist the Company in managing its cash flow. This unpaid salary will be shown as an accrual amount in th e following fiscal quarter. Also, the Company has not filled the position of COO which has been vacant since July 2013.

Public Company costs have dropped in 2014 as the Company saved money on its AGM meeting and TSX-V fees have dropped.

Other expenses have increased by a combined $57,549 over 2013. The increases were minimal in amount and spread throughout numerous account.

Marketing and Promotion:

Three Month Periods Ended March 31,					
	2014		2013		Variance
Total Marketing expenses	108,803		73,165		35,638
Investor relations	24,000		22,500		1,500
Travel costs	25,290		7,165		18,125
Salaries	19,917		-		19,917
Consultant costs	37,500		43,500		(6,000)
Other costs	2,096		-		2,096

For the three month period ended March 31, 2014, Marketing and Promotion ("M&P") costs have increased by $35,638 over the same period of 2013.

Consulting costs are slightly lower than in the same period of 2013. The Company has not engaged any new consultants in this period.

The Company hired a VP of Global Sales and Marketing in February 2014. This person will co-ordinate Star's sales efforts on a global basis. The Company did not have a similar position in 2013.

Travel costs increased in this period as the Company was actively engaged in setting up the distributorship and research cooperation agreement with ICG in Virginia, USA. The Company has focused on getting the STAR-A.D.S.™ project up and running more efficiently to speed up possible sales and to that end it has been funneling more resources to that. This has also resulted in an increase to travel expenditures as the Company has increased the number of presentations to airlines of its STAR-A.D.S ™ system. Travel costs will continue to occur as the Company continues to push its message out to the industry at large and to prospective customers around the world.

Marketing and Promotion (Cont'd)

Nine Month Periods Ended March 31,					
	2014		2013		Variance
Total Marketing expenses	324,225		183,976		140,249
Investor relations	53,000		22,500		30,500
Travel costs	81,694		13,231		68,463
Salaries	19,917		-		19,917
Advertising & promotion	19,595		600		18,995
Consultant costs	150,019		147,645		2,374

For the nine month period ended March 31, 2014, Marketing and Promotion ("M&P") costs have increased by $140,249 over the same period of 2013.

Consulting costs are slightly higher than 2013.

Investor relations costs are up in 2014 as the Company has engaged an IR firm for the whole year whereas in 2013 Star did not have an IR firm start until January of 2013.

Salaries are a result of the Company's new hire of a VP of Global Sales & Marketing in February 2014. This position did not exist in 2013.

Advertising & promotion costs are attributable to the Company's participation at various airshows in 2014 including the Dubai Air Show.

Stock based compensation:

The Company has a stock option plan (the "Plan") for employees, officers, directors and consultants performing special technical or other services for the Company ("Optionees"). During 2010, the Company amended the Plan whereby the number of common shares to be issued under the Plan is not to exceed 30,000,000 (2009 - 19,589,684) common shares. In 2011, the shareholders approved an increase in the number of shares that could be issued under the Plan to 35,000,000. To date, application for regulatory approval for that increase has not been made but is expected within the current quarter.

The Company applies a fair value based method of accounting to all stock-based payments. Accordingly, stock-based payments for employees are measured at the fair value of the equity instruments issued and stock-based payments for non-employees are measured at the fair value of the consideration received or liabilities incurred, whichever is more reliably measurable.

Stock based compensation (Cont'd)

Each tranche is considered a separate award with its own vesting period and fair value.

Stock-based compensation is charged to operations over the tranche's vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

During the period ended March 31, 2014 stock-based compensation amounted to $50,369.

Foreign Exchange Gain/Loss:

Monetary assets and liabilities denominated in foreign currencies are translated at the yearend exchange rate. Non-monetary assets and liabilities as well as revenue and expense transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Translation gain or loss adjustments are recognized in the period in which they occur. The Company transacts its sales and equipment purchases in US dollars. At the period ended March 31, 2014 the Company held $64,158 (June 30, 2013 - $84,047) of cash and cash equivalents in US dollars.

Liquidity and Capital Resources

The Company had a cash deficit at March 31, 2014 compared to a cash balance of $405,603 at June 30, 2013.
The Company completed a private placement in October 2013 for proceeds totaling $900,000 and another one in April 2014 that raised $1.657m (See Subsequent Events). The Company now has a working capital deficiency of $1,257,900 at March 31, 2014 compared to a working capital deficiency of $593,019 at June 30, 2013.

The Company's cash balance has always depended on the support of it's shareholders and that will continue to be the case for the forseeable future until it reaches a breakeven position.

Due to the uncertain nature of its ability to close sales with major airlines, the Company cannot project with certainty what level of cash commitment it may face in the future. That being said, the Company may seek additional financing through the equity markets.

The Company continues to keep its accounts payable current and does not suffer from any defaults on its lease commitments.

The Company is subject to the risks generally associated with high-technology development stage companies, which include fluctuations in operating expenses and revenues, and its ability to secure further equity or debt financing/funding which is subject to prevailing market conditions at that time.

There can be no assurance that management will be successful in raising the necessary capital required to continue the project but it has taken the necessary steps to address this concern.

Off Balance Sheet Arrangements

As at March 31, 2014 the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Outstanding Share Data

Series I First Preferred Shares	615,000
Common Shares (i)	286,656,966
Share Purchase Warrants (ii)	121,120,005 (exercise prices ranging from $0.20 cents to $0.50)
Stock Options	17,244,900 (exercise prices ranging from $0.10 to $0.32 with expiry dates up to February 14, 2018 and various graded vesting provisions).

Significant Accounting Policies

The unaudited condensed interim consolidated financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of their application as the most recent audited consolidated financial statements for the year ended June 30, 2013.

These unaudited condensed interim consolidated financial statements should be read in conjunction with those audited consolidated financial statements.

Recent Accounting Pronouncements Issued and Not Yet Applied

Future IFRS changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

IFRS 9 Financial Instruments was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date for IFRS 9, which is to be applied retrospectively, has not yet been determined.

Accounting Estimates and Judgments

The preparation of consolidated financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings.

These estimates and assumptions notably relate to the amortization of and measurement of impairment of property and equipment and development and other assets, stock-based compensation, warrants, and deferred income taxes. The judgments notably relate to the provisions and contingencies, assessment of going concern uncertainties, application of the deferral criteria and determination of when development was completed on the STAR-ISMS®.

Related Party Transactions

The Company has accrued and carries a significant balance on its consolidated financial statements of amounts due to related parties. The amounts represent compensation accrued with respect to salary compensation for its officers, monthly compensation accrued for its directors and committee chairpersons that have accumulated over the past several years. The Company's Board of Directors are compensated at the rate of $2,000 per month for performing duties such as providing guidance to management in areas such as budgeting, new sales contracts or joint ventures anticipated and any other issues that management deems necessary. These amounts are accrued.

Committee Chairpersons are selected from amongst the Directors of the Company to lead the Audit, Compensation and Corporate Governance, and Strategic Planning and Human Resources committees. Chairpersons are remunerated at the following rates; Audit Chairman - $2,000 per month accrued, Corporate Governance Chairman - $1,000 per month paid, Human Resources Chairman - $1,000 per month accrued. All of the above amounts are recognized in the consolidated financial statements of the Company. The terms for repayment of the amounts owing to the various Board and Committee members are restricted.

These amounts can only be settled when individuals wish to exercise options that have been granted to them by the Company or to participate in a private placement being undertaken by the Company. Such amounts are non-interest bearing and unsecured.

At March 31, 2014, management estimates that there is the potential for the amounts due to be paid in the next fiscal year, and accordingly they have been classified as current liabilities. The only fixed contractual obligations the Company has with related parties are the compensation contracts it has with the CEO and CFO.

The following balances are due to related parties as of March 31, 2014:

Due to Directors - $86,323 (2013 - $16,000), Due to Committee Chairpersons - $41,323 (2013 - $16,000), and Due to Chief Executive Officer and Chairman of the Board of Directors - $947,953 (2013 – $1,017,392).

Related Party Transactions (Cont'd)

The amount due to the Chief Executive Officer and Chairman of the Board of Directors results from salary accrual in prior years including certain years where as CEO, no salary was taken due to the economic limitations the Company was experiencing at the time.

Included in the unaudited condensed interim statement of comprehensive loss for the nine month period ended March 31, 2014, in general and administrative expenses is $195,110 (2013 - $495,298) in fees paid and accrued to directors and officers of the Company. An amount of $9,000 in respect of salary (2013 - $202,500) was paid to the Company CEO. As well, a total of $26,005 (2013 – Nil) was paid to the Chief Executive Officer regarding interest on the outstanding loan owed to him. The rate of interest paid was Bank of Canada prime + 2%.

Also included in the general and administrative total of $195,110 (2012 - $495,298) were Board of Directors fees of $70,323 (2013 - $72,000) which were accrued. Chairperson fees of $43,106 (2013 - $44,798) were accrued and paid. Payments to the Chief Operating Officer $Nil (2013- $112,500) were paid. Professional fees of $60,000 (2013 – $54,500) were paid to the Chief Financial Officer of the Company.

The amounts owing to related parties are unsecured, bear interest at prime + 2.0% and have no fixed terms for repayment.

See also Notes 6, 9 and 14(c) of the unaudited condensed interim financial statements.

Subsequent Events

On April 15, 2014, Star Navigation Systems Group Ltd. (TSX-V: SNA) ("Star" or the "Company") announced that, subject to TSX-Venture Exchange ("TSX-V") acceptance, Star had completed a non-brokered private placement of 27,959,933 units of the Company at a price per Unit of $0.06 (the "Units"), for gross proceeds totaling $1,677,596.00. The price was reserved with the TSX-V. Each Unit consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share of the Company (a "Warrant Share") at a price of $0.15 per Warrant Share for a term of 24 months from the closing date. Finder's fees on the placement in the amount of $167,759.00 were paid in Units. All securities issued in the Offering and any shares issued upon exercise of Warrants are subject to a four month statutory hold period from the date of issuance. The net proceeds of the placement will be used for research and development, marketing and general working capital purposes.

Contingency

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, vendors and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

Risk Factors and Risk Management

Although management is working diligently towards generating revenue, improving cost containment and achieving profitable operations, the Company is subject to the risks generally associated with high-technology development stage companies. These risks include fluctuations in operating expenses, lengthy sales cycles, the pace of technological change, human resource costs of necessary additional research and development, competition, regulatory approvals and permitting, and the need to secure further equity or debt financing and/or funding.

The Company is also subject to the risk of competition in a fast moving high technology industry. Protection of the Company's intellectual property carries the risk of expensive litigation. Retention of highly skilled key personnel, fluctuation of input costs, travel costs and general economic conditions may impact the Company's performance.

The Company's revenues depend mainly upon two factors: hardware sales and ongoing monthly monitoring charges and airtime. Revenues from hardware are normally a one-time event and are dependent upon sales. Therefore, these revenues will vary from period to period. Revenue from a customer from ongoing monthly monitoring is relatively stable, but can vary depending upon usage and, in rare cases, upon the financial health of the customer. The Company is working diligently to increase the level of sales across its product suite, carefully monitors the payment records of its customers, and sets its pricing models to reflect risk and return realities.

Operating expenses are generally stable but will vary depending on required staffing levels, equipment update and replacement, sales activity and required R&D activities. These expense items are pre-revenue in nature. As the Company is now in a position to offer a fully developed STAR-A.D.S.™ system to the commercial aviation world, the demands upon its R&D department are increasing, resulting in the need to hire additional staff in this area.

Also, as the Company is determined to protect its Intellectual Property, cases of potential infringement of patent are not predictable and the legal costs involved can be substantial. While all eventualities cannot be predicted, the Company maintains a sufficient level of funds to cover most contingencies.

The Company's target clients for the flagship STAR-ISMS® and STAR-A.D.S ™ system are mainly commercial airlines. As is the case with high technology sales to any large commercial operation operating on slim margins in a competitive environment, the sales cycle is generally a lengthy one, involving multiple varied sales presentations to several different departments and stakeholders, including engineering, finance, operations or the executive.

A large percentage of the Company's sales initiatives prior to STAR-A.D.S.™ involved non-North American customers, with the attendant travel and time requirements. Amongst other initiatives such as the STAR-A.D.S.™ service, the Company is reviewing and reorganizing its sales process, and making greater use of video conferencing. It is also refocussing its efforts in order to provide an enhanced emphasis on potential North American customers.

Risk Factors and Risk Management (Cont'd)

In order to maintain and enhance its current competitive advantage, the research and development department of the Company is continually working to upgrade the existing functionality, size, weight and price point of the STAR-ISMS® system and development of the next generation G3 systems has commenced.

Although the Company's exclusive world wide license to the patented technology underlying the STAR-ISMS® system provides a large measure of security, advances in technology are possible.

As has been demonstrated by duration of the Company's discussions with the Government of India with respect to the ability of Indian customers to utilize the STAR-ISMS® system in Indian airspace, and the current political unrest in Egypt, regulatory matters can delay the sales process to varying degrees. The Company relies upon entities such as Transport Canada ("TC") to issue approvals such as STC's, required whenever the Company is installing equipment aboard an aircraft. While TC works hard to provide excellent service, this is not always the case around the world.

Until revenues exceed expenses, the Company raises the necessary capital through private placements. There can be no assurance that management will be successful in raising the necessary capital required to fund pre-revenue activities.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the CEO and CFO file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109.

As part of our corporate governance practices, ICFR and DC&P have been designed. There has been no formal evaluation of the operation of these controls. The Company has designed its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance IFRS.

Management works to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Company's DC&P have been designed to ensure that information required to be disclosed by Star is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES (Cont'd)

It should be noted that while the Company's CEO and CFO believe that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud. There have been no material changes to the internal controls of the Company for the period ended March 31, 2014.