

Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the periods ended September 30, 2014 and September 30, 2013

Date – December 1, 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 month periods ended September 30, 2014 and September 30, 2013 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2014 and June 30, 2013. 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 December 1, 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 General Development of the Business, Overview of Products, Operational Milestones, Outlook, Selected Financial Information, Results of Operations and 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. Aside from its efforts locally, in the United States, Canada and in Europe, the Company continues to pursue sales and marketing efforts in the Middle East and developing countries. The Company is of the opinion that these areas, while historically non-traditional in terms of major aviation sales, represent a very significant current and future growth area in passenger growth and therefore, demand from operators for technology which will offer enhanced safety and efficiency to their operations. However, the Company accepts the fact that pursuing opportunities in these areas potentially subjects it 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 endeavors 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 continue to cause some restriction of the Company's efforts there, although the situation appears to be improving. The Company's previously announced sale to AlMasria Universal Airlines ("Almasria"), which remains in the Supplemental Type Certificate ("STC") application process, is a good example of the issues faced by the Company in these areas. The Company is awaiting aircraft availability in order to continue the STC process.

As part of its internal reorganization, the Company now has the capacity, completely in-house, to complete 100% of the design and data packages required for Supplementary Type Certificate ("STC") approval. (STC's are required when any new equipment, such as the Company's STAR-A.D.S TM system is installed in any aircraft.).

However, the Company remains subject to the requirements and practices of local regulatory authorities and to the requirements of Transport Canada.

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 advises that it is currently operating one aircraft that is not suitable for STAR-A.D.S.[™] installation and that it is in negotiations with respect to two other aircraft. Midwest will keep the Company advised of its progress and as to when appropriate aircraft become available. All other terms and conditions of the contract remain in force.

The Company's efforts are now primarily focused on North America, S.E. Asia, the Middle East, and Europe. The Company continues to refine and expand the manner in which the STAR-A.D.S.[™] system is marketed and sold, and continues to support the efforts of its Research and Development to enhance the capabilities of the STAR-A.D.S.[™] system, and the rest of the Star product line. The STAR-A.D.S.[™] research has demonstrated the requirement for a simpler, smaller version, now known as STAR-TTT, which will be utilized by helicopters, small aircraft and land vehicles. It is in final stages of testing with our Chinese partner, Spaceon. With the acquisition of the assets of Luxell Technologies, the Company has launched its own activities in the flat panel display field with its STAR MMI Division. STAR MMI products are now marketed in the USA, Europe and Asia.

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

Star Navigation Systems Group Ltd. commenced its operations in May 2000 and was listed on the TSX Venture Exchange (the "Exchange") on August 29, 2002 under the symbol 'SNA'. Star Navigation Systems Group Ltd. is a leading-edge Canadian publically owned technology company. It focuses on providing aerospace solutions—hardware and software platforms—that assist aviation operators worldwide. Headquartered in Toronto, Ontario, Star has developed the STAR-ISMS® In-Flight Safety Monitoring System, the heart of the STAR Airborne Data Service (ADS). It is the first system in the world that features in-flight data monitoring, diagnostics and data analysis with real-time secure connections between the aircraft and the ground, using real-time satellite transmission.

The STAR-ISMS® system has been tested and certified for airworthiness by major aviation regulatory authorities including Transport Canada ("TC") and the U.S. Federal Aviation Authority ("FAA"). Star owns the worldwide license to this patented technology and is actively developing new applications for in-flight medical monitoring, environmental monitoring, and ground-based systems. Star's proprietary patented technology provides real-time data analysis, aircraft health and flight operation status, and real-time position information, all of which contribute to aviation safety, reduction of fuel and maintenance costs, reduction of carbon footprint, and provides the opportunity to dramatically increase airline profits.

Overview of Products

Capability of the STAR-ISMS® G2 System

The STAR-A.D.S.™ system provides airlines/operators with a cost effective, end to end solution allowing the automated capture and delivery of real-time, in-flight analysis of an agreed set of parameters against expected norms, providing real-time monitoring of the aircraft's performance, it's status and location, with instant and secure access to essential aircraft information from a PC based web connection. The STAR-A.D.S.™ delivers high value, streamlined operational information with minimum impact to the airline's internal processes and procedures. It uses a Graphical User Interface ("GUI") providing fast, convenient visibility of information from any location, within minutes of the data being generated on the aircraft data bus, in flight, anywhere in the world.

STAR-A.D.S.™ benefits include:

- 1) Quick access visibility of fuel burn and flight profile inefficiencies.
- 2) Real-time visibility of location and performance data.
- 3) Automated fault notification concerning essential systems data in the form of alerts.
- 4) Delivery of essential aircraft information direct to decision makers.
- 5) Greatly improved quality and consistency of aircraft information delivery.
- 6) Detailed function specific reporting to Operations/Finance/Personnel within minutes of wheels down.
- 7) Automated OOOI times

STAR-A.D.S.™ offers the operator significant advantages over existing systems by providing:

- 1) Secure information delivery
- 2) Information formatting adjusted to suit the operator
- 3) Significant automation of the information delivery process
- 4) Ability to export to data analysis systems such as manufacturers' Engine Condition Monitoring systems
- 5) A single contact and billing system
- 6) A software defined service to grow future value delivery to customers

STAR-A.D.S.™ information is delivered using three elements:

- 1) Airborne Element ("AE") system installation
- 2) Data Management Centre ("DMC")
- 3) Web-based Graphical User Interface

A low-impact, easy to fit aircraft installation kit that enables Iridium transmission of selected data is provided for operator installation. The equipment installation uses a simple STC, with usually 120 Man Hours required for the retrofit and which can be completed overnight during a "C" check.

Discussions with the customer are required to establish and approve the extent of information capture, extraction, transmission and display and to customize the system to the customers' individual needs.

Other complimentary products such as "STAR-TTT" (flight tracking and monitoring system incorporating two-way voice and data), STAR-TTT 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's recent purchase of the assets of Luxell Quebec Technologies Inc. has resulted in the creation of the Star MMI Division, which was set up in April, 2014. It designs and manufactures high performance mission critical flight deck, flat panel displays for defence and commercial aviation industries worldwide.

The integration of the MMI activities has allowed STAR to control its supply chain, effectively complete its program and engineering capabilities while adding to its portfolio of products, and adding to the increasing revenue stream.

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

There continues to be 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. Star's Asia Pacific distributor remains optimistic that the situation will be resolved to Star's satisfaction.

Operational Milestones

During the three month period ended September 30, 2014, the Company has made the following progress towards achieving its strategic objectives:

- STAR made application to be registered with the **Controlled Goods Program (CGP)** in Canada. The CGP is a federal government program administered by Public Works and Government Services Canada. It is a national domestic industrial security program that helps strengthen Canada's defense trade controls and prevents proliferation of tactical and strategic and related intellectual property. STAR's MMI Division conducts business in Canada for military programs internationally and therefore must comply with the Defense Production Act and the Controlled Goods Regulations. With this registration, under continuous control from the relevant Canadian authorities, STAR will be authorized to design, manufacture, ship and support military applications for STAR MMI and STAR-A.D.S.™. STAR will be delivering specific displays to Japan for the Japanese Navy surveillance aircraft. Soon, STAR will be shipping additional units to Lockheed Martin for use aboard the US Navy aircraft.
- Star signed a five year contract with Skyservice Business Aviation Inc. of Montreal for the purchase and installation of the STAR-A.D.S.™ system aboard Learjet 45 aircraft operated by Skyservice Air Ambulance. This sale represents the first domestic sale for the Company.
- **STAR and IRTS** France have agreed to expand their existing business relationship beyond on-board ruggedized displays to include the Star's STAR-A.D.S.™ In- Flight Safety Monitoring System activities. By combining their respective strengths and experience, the two companies will promote the STAR-A.D.S.™ system to French and European selected airlines and operators, while developing new applications for in-flight medical and environmental monitoring, and providing other added-value services to operators. The first steps of this partnership will take place early December in Toulouse, France during the Aeromart conference.

Operational Milestones (Cont'd)

- Expanding on the previous Reseller arrangement between the two companies, STAR and International Communications Group, Inc. ("ICG") of the U.S. have launched an integrated solution for Status, Monitoring, Analysis, Reporting and Tracking ("S.M.A.R.T. AIRCRAFT"). The S.M.A.R.T. AIRCRAFT solution is the result of the integration of ICG's NxtLink Series of satellite based flight deck communications systems and the STAR-ISMS® System. It brings to an operator a comprehensive flight deck communications and overall flight monitoring solution. The two companies are now commencing sales and marketing activities, promoting this integrated communications and monitoring solution to operators, whether already equipped with ICG NxtLink flight deck communications equipment or as new customers.
- Star has signed a Cooperation Agreement with Chengdu Spaceon Technology Co. Ltd., ("Spaceon"), a well-recognized aerospace research and product development corporation in China, with expertise and experience in airborne avionics, in-flight controlling and data communications equipment and services. SpaceOn is developing STAR-TTT equipment in order to manufacture, market and sell it in China, specifically targeting the general aviation and helicopter markets. In the future, Spaceon may undertake the marketing, sales and implementation of the STAR-A.D.S.™ in China for commercial airlines.
- Star continued its participation in the Aircraft Tracking Task Force, set up as a result of the disappearance of MH-370. It will also be presenting to the ICAO/ITU Focus Group on Real Time Tracking and the mandating of Real Time Flight data streaming.
- The Company completed the resourcing and organization of its in-house STC Group. Prior to this initiative, the Company was forced to utilize outside resources for the preparation and submission to Transport Canada of the STC's required for the installation and operation of the STAR-A.D.S.™ system on each new type of aircraft. Having this capability now in-house results in better control of process and a very significantly reduced cost per STC. It is also part of the Company's intention to become a Transport Canada Design Approval Organization.

Operational Milestones (Cont'd)

- The Company has also applied to Transport Canada for approval as an Approved Maintenance Organization. This designation is required in order to allow the Company to maintain "aeronautical products" and avionics in-house.
- 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.
- The Company opened a sales office in Montreal in September, 2014. This gives Star greater access to possible OEM customers such as Bombardier, direct access to operators such as Skyservice (business jet operators), as well as other potential Research and Development opportunities.
- Star continues discussions with various entities in China regarding manufacturing, collaboration and strategic alliances due to continuing delays in the COMAC 919 project.
- Star 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 a Transport Canada approved Designated Airworthiness Representative ("DAR"). This is the latest addition to the STCs currently owned by the company, which include STC's for the Boeing B737 family of aircraft.

Operational Milestones (Cont'd)

- 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 worldwide 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 experienced aviation professional as VP, Global Sales in February 2014. He will co-ordinate and lead Star's sales department.
- Star attended and presented at several conferences in the course of the year including, IATA, ICAO, ITU and the EFTT Conference in Malaysia.

Outlook

Star's Management looks towards achieving the following objectives over the balance of the current June 30, 2015 fiscal year.

- To execute the commercialization of the STAR-A.D.S.[™], develop new business opportunities in the field of aircraft critical data collection, analysis and transmission, and expand the opportunities offered by the products and services of the new STAR-MMI Division.
- To further develop the capability of its ground station and data management services.
- Continue to work with Spaceon in China with respect to the testing, manufacture and sale of the STAR-TTT system and, potentially, the STAR-A.D.S.[™] system.
- 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®. The first MEDEVAC development contract is being finalized as an R&D effort, supported by the Quebec MEDTEQ provincial organization, and the Federal NSERC. The application, which should be formally accepted by the end of 2014, relates to a study spanning the next 2 years and targets a representative prototype of the Emergency Medical Evacuation application of the STAR-A.D.S.[™] system, transmitting the bio data of a patient directly from the aircraft in flight to the receiving medical dispatch center, in real time. Applications are obvious in the EMS and Military world, as well as with passenger airlines and with highway ambulances.

Outlook (Cont'd)

- Continue the Sales & Marketing presence of the Company at selected 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-TTT, 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.
- Diversification and expansion of its product line and solidification of its STAR-ISMS® 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 developed and produced customized Man Machine Interface ("MMI") products for large Fortune 500 aerospace and defense customers worldwide. It also assisted in the design and production of Star's Gen 2 on-board computer. Star's STAR-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 , • 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, 2014, 2013 and 2012.

	Year ended June 30, 2014	Year ended June 30, 2013	Year ended June 30, 2012
Total revenues	\$53,731	\$115,717	\$72,672
Net Loss	\$(3,426,997)	\$(2,919,007)	\$(3,059,143)
Total assets	\$2,332,595	\$1,403,867	\$1,189,360
Total liabilities	\$1,890,081	\$1,549,264	\$2,047,487
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 (2014, 2013 and 2012) are averaging \$3,135,049 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.

A STAR-A.D.S.™ sale has recently been realized to Skyservice., and the Company has taken other steps to increase sales:

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 originally 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, has increased its overall revenue with over \$520,000 USD in orders placed with its' MMI division.

The Company continues to be in a position whereby it will have to continue to raise money in the debt or 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.

Annual Information (Cont'd)

The Company has completed private placements in October 2013 and April 2014, that collectively have raised over \$2.5 million. 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 has minimal long-term debt at September 30, 2014. The Company recently entered into a new \$157,000 leasing arrangement in April 2014 (See Note 10 of the unaudited condensed interim consolidated financial statements) 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 concerning their operations will be protected.

Star has also entered into an agreement with Troo Corporation to develop Star's next generation GUI for its customers at a cost of \$240,000.

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 further expansion of its MMI division.

- The cash balance at September 30, 2014 has dropped to \$(40,224) as compared to \$134,940 at June 30, 2014. The Company completed another private placement in November, 2014 (See Subsequent Events).
- Assets have risen due to the acquisition of the assets of Luxell for \$1,250,000 paid in common shares of the Company as well as \$40,000 in assumed debt (See Note 7 of the June 30, 2014 Audited Consolidated Financial Statements).
- Accounts receivable remain close to June 30, 2014 numbers. Receivables will increase as orders have been completed by its' MMI division. Prepaid expenses fluctuate and are up marginally.
- Inventory has increased due to the Luxell asset acquisition and increased inventory purchases to complete its MMI orders. Star now has multiple units of its STAR-ISMS® in stock and ready for sale as well.
- Property and equipment has decreased because of the Luxell asset acquisition (See Note 7 of the June 30, 2014 Audited Consolidated Financial Statements). There were additions to Development and Other asset additions in this year as well due to the Luxell acquisition.
- Accounts payable and accrued liabilities are up marginally from June 30, 2014.

Annual Information (Cont'd)

- Amounts due to related parties have increased from June 30, 2014 due to the monthly accruals to certain of the Company directors as well as loans from the CEO and Chairman of the Board.
- The Company's share capital continues to rise in conjunction with each completed equity raise as well as the Luxell asset purchase. Common shares outstanding are 317,692,892 at September 30, 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 \$)

	2014	2014	2014	2013
Period Ending	September 30	June 30	March 31	December 31
Revenue	69,472	21,895	8,069	9,912
Working Capital/(Deficit)	(1,447,926)	(881,760)	(1,257,900)	(784,092)
Expenses	741,417	1,480,012	754,484	680,466
Net Loss	(671,945)	(1,458,104)	(705,496)	(695,510)
Net Loss (per Share)	(0.01)	(0.001)	(0.002)	(0.02)

	2013	2013	2012	2012
Period Ending	September 30	June 30	March 31	December 31
Revenue	13,855	(28,764)	10,498	16,447
Working Capital/(Deficit)	(1,089,984)	(593,019)	(891,820)	(319,144)
Expenses	581,742	918,234	655,440	754,910
Net Loss	(567,887)	(946,998)	(644,942)	(738,463)
Net Loss (per Share)	(0.002)	(0.01)	(0.003)	(0.003)

Quarter-over-quarter fluctuations for the last eight periods prior to September 30, 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.

RESULTS OF OPERATIONS

Comparison of the periods ended September 30, 2014 and September 30, 2013.

The following commentary compares the unaudited condensed interim consolidated financial results for the three month period ended September 30, 2014 and September 30, 2013.

Overview:

The Company sustained a loss of \$671,945 for the period ended September 30, 2014 vs. \$567,887 for the period ended September 30, 2013. The increased loss 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 period ended September 30, 2014 have increased by \$55,617 from September 30, 2013.

The increase in Q1 is due to Star now billing for a STAR-A.D.S.[™] sale to Skyservice in July, 2014. In addition, the Company has now billed sales through the MMI division for a total of \$26,034 for the period ending September, 2014.

Revenue from STAR-TTT customers remains comparable to the three month period ending September 2013. Existing STAR-TTT customers are flying less thereby resulting in lower fees being charged. These revenues fluctuate from period to period depending on the usage of the STAR-TTT 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-TTT units during year ended September 30, 2014.

The Company has taken steps to increase sales in fiscal 2015 by signing contracts for its MMI products and reorganizing its STAR-ISMS® sales division.

Comparison of the periods ended September 30, 2014 and September 30, 2013
(Cont'd)

Cost of Sales:

Cost of Sales for the year ended September 30, 2014 increased for the same reasons that resulted in the increases in sales revenue. The Company incurred both installation costs for the Skyservice SSV sale as well as costs related to its MMI sales.

The Company did not sell any of its STAR-ISMS® lite units in the current year. Cost of sales in the 2013 was higher because it 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 period ended September 30,		
	2014	2013	Variance
Total R&D expenses	373,083	262,942	110,141
Amortization expense	113,210	63,557	49,653
R&D Wages	253,690	181,197	72,493
Material costs	1,969	8,064	(6,095)
Research & development costs	1,126	-	1,126
Travel costs	3,088	10,124	(7,036)

R&D expenses have increased by \$110,141 for the period ended September 30, 2014 over the same period of 2013.

There have been new asset additions to equipment and development and other assets in the last period (See Note 5 and 6 of the June 30, 2014 Audited Consolidated Financial Statements) which has resulted in increased amortization expense.

Salaries & Wages have remained the same from 2013. Salary increases which are reviewed and adjusted as necessary annually on January 1 of each year were offset by a decrease in staff. Star has added more R&D subcontractor staff in 2014 which accounted for 60% of the R&D wage increase.

Travel costs have decreased this quarter as the Company was working on the Skyservice installation which required less travel. Also, lower cash flow necessitated reduced travel for staff.

Comparison of the periods ended September 30, 2014 and September 30, 2013
(Cont'd)

General and Administrative:

	Three month period ended September 30,		
	2014	2013	Variance
Total G&A expenses	229,289	204,695	24,594
Board and Committee fees	32,200	39,285	(7,085)
Consultant costs	0	9,000	(9,000)
Insurance	26,417	16,859	9,558
Professional fees	21,000	29,875	(8,875)
Wages	58,775	14,045	44,730
Bank charges & interest	25,609	14,701	10,908
Other	65,288	80,930	(15,642)

G&A expenses have increased by \$24,594 for the period ended September 30, 2014 from September 30, 2013.

Board and Committee fees have decreased from 2013 due to the Company only having 4 directors (previously had 5 directors in 2013), three of which are non-executive board members.

Consulting costs have decreased as the consultant being paid in 2013 has now joined the Company as a full time employee. Insurance costs are up this quarter over 2013 as Star has increased certain coverages resulting in higher premiums.

Professional fees are down over 2013 due to a decrease in legal fees for the 2014 quarter-end. Accounting fees have remained consistent.

Wages have increased in 2014 as the Company has added the position of VP of Corporate Affairs. The Company had a COO for the month of July 2013 at which time that position was terminated and has yet to be filled.

Interest and bank charges have risen in 2014 as the Company now has 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. As well, the Company entered into a new lease arrangement for computers resulting in higher interest costs in April 2014.

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

Comparison of the periods ended September 30, 2014 and September 30, 2013
(Cont'd)

Marketing and Promotion:

	Three month period ended September 30,		
	2014	2013	Variance
Total Marketing expenses	122,057	90,316	31,741
Investor relations	18,000	5,000	13,000
Travel costs	25,110	18,316	6,794
Salaries	28,750	-	28,750
Consultant costs	47,500	61,000	(13,500)
Other costs	2,697	6,000	(3,303)

For the period ended September 30, 2014, Marketing and Promotion ("M&P") costs have increased by \$31,741 over the same period of 2013.

Consulting costs are down this quarter as the Company tries to reduce its monthly costs. 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 this position in 2013.

Travel costs increased marginally over the same period in 2013. The Company has focused on getting the STAR-A.D.S.™ running more efficiently from a commercial position so as to speed up possible sales and to that end it has been funneling more resources to that. The Company has also 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.

Investor relations costs are up in 2014 as the Company has been actively reaching out to its investor base to show the progress the Company has made in this fiscal year. In 2013 Star did not have an IR firm for the whole quarter ended September of 2013.

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.

Comparison of the periods ended September 30, 2014 and September 30, 2013
(Cont'd)

Stock based compensation (Cont'd)

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.

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 year ended September 30, 2014 stock-based compensation amounted to \$13,516 (September 30, 2013 - \$16,276).

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 September 30, 2014 the Company held \$14,280 (September 30, 2014 - \$6,081) of cash and cash equivalents in US dollars.

Liquidity and Capital Resources

The Company had a cash deficiency of \$(40,224) at September 30, 2014 compared to a cash balance of \$134,940 at June 30, 2014.

The Company continues to complete private placements in order to sustain operations until sales become more consistent. The Company completed a private placement of Units of common shares and warrants in November, 2014 for gross proceeds of \$900,000 (See Subsequent Events). The Company now has a working capital deficiency of \$1,447,926 at September 30, 2014 compared to a working capital deficiency of \$881,760 at June 30, 2014.

Management is continuing its efforts to secure additional funding for the Company's currently short and long-term obligations. The financing alternatives include debt and/or equity financings, asset sales and rights offerings to existing shareholders.

Liquidity and Capital Resources (Cont'd)

While the Company is striving to achieve its financing plans, there is no assurance that future funding will be available on favourable terms to the Company, or at all.

Due to the uncertain nature of sales to major airlines, the Company cannot project with certainty what level of cash commitment it may face in the future.

The Company's cash balance has always depended on the support of its shareholders and other forms of financing. This will continue to be the case until sales from STAR-A.D.S.™ and STAR-MMI improve.

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 companies, which include fluctuations in operating expenses and revenues.

Off Balance Sheet Arrangements

As at September 30, 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)	317,692,892
Share Purchase Warrants (ii)	141,793,716 (exercise prices ranging from \$0.12 cents to \$0.30)
Stock Options	14,797,900 (exercise prices ranging from \$0.05 to \$0.32 with expiry dates up to December 15, 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, 2014.

Recent Accounting Pronouncements

Adopted during the year

IFRS 10 Consolidated Financial Statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has adopted IFRS 10 which had no material impact on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has adopted IFRS 12 which had no material impact on the consolidated financial statements.

IFRS 13 Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 provides a consistent and less complex definition of fair value; it establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has adopted IFRS 13 which had no material impact on the 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 September 30, 2014 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.

Financial Instruments - IFRS 9

Financial Instruments - IFRS 9 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.

Recent Accounting Pronouncements Issued and Not Yet Applied (Cont'd)

Future IFRS changes (Cont'd)

Financial Instruments - IFRS 9 (Cont'd)

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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Revenue from Contracts with Customers - IFRS 15

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 18, Revenue, among other standards. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. The new standard is effective for fiscal years ending on or after December 31, 2017, and is available for early adoption. The Company has not yet assessed the impact of adoption of IFRS 15, and does not intend to early adopt IFRS 15 in its consolidated financial statements.

The Company has not early adopted this standard amendment, however the Company is currently assessing what impact the application of this standard amendment will have on the consolidated financial statements of the company.

Property, Plant and Equipment – IAS 16 and Intangible Assets IAS 38

On May 12, 2014, the IASB amended IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016. The amendments to IAS 16 and IAS 38 are not expected to have a significant impact on our financial statements.

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. Such amounts are accrued.

Committee Chairpersons are selected from amongst the Directors of the Company to lead the Audit, Compensation / Corporate Governance, and Strategic Planning / 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 offered by the Company. Such amounts are non-interest bearing and unsecured.

The following balances are due to related parties as of September 30, 2014:

Due to Directors - \$102,000 (2013 - \$84,000), Due to Committee Chairpersons - \$33,000 (2013 - \$24,000), and Due to Chief Executive Officer and Chairman of the Board of Directors - \$1,228,341 (2013 - \$1,093,080).

The amount due to the Chief Executive Officer and Chairman of the Board of Directors resulted 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 that time. That salary was accrued.

Included in the unaudited condensed interim consolidated statement of comprehensive loss for the period ended September 30, 2014, in general and administrative expenses is \$53,200 (2013 - \$57,285) in fees paid and accrued to directors and officers of the Company. An amount of \$Nil in respect of salary (2013 - \$Nil) was accrued to the Company CEO. As well, a total of \$15,201 (2013 - \$13,582) was accrued 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 \$53,200 (2013 - \$57,285) were Board of Directors fees of \$18,000 (2013 - \$24,000) which were accrued. Chairperson fees of \$14,200 (2013 - \$15,285) were accrued and paid. Payments to the Chief Operating Officer of \$Nil (2013- \$12,681) were paid. Included in professional fees of \$21,000 (2013 - \$18,000), were payments 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.

Subsequent Events

On October 15, 2014, Star's registration under the Controlled Goods Program was issued. Star's MMI Division has commenced shipments to both Japan and the United States.

On November 17, 2014, Star announced that it had completed a non-brokered private placement of 15,000,000 units of the Company at a price per Unit of \$0.06, for gross proceeds totaling \$900,000. Each Unit consisted of one common share and one common share purchase warrant which entitles the holder to purchase one common share of the Company for a period of two years at \$0.15 per share. The TSX-Venture Exchange has accepted the private placement.

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 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.

Risk Factors and Risk Management (Cont'd)

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.™ systems 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.

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 continuing political situation 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 unfortunately not always the case in every situation.

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.

As noted herein, there are a number of risks inherent in the business of the Company. As a result of those risks, and its present stage of development, an investment in the Company should be considered highly speculative.

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.

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 September 30, 2014.