

**Star Navigation Systems Group Ltd.**  
**Management's Discussion and Analysis**  
**For the three and nine month periods ended March 31, 2015 and March 31, 2014**

**Date – May 26, 2015**

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, 2015 and March 31, 2014 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 May 26, 2015.

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 and Canada as well as 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 miles flown 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.

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 Supplemental Type Certificate ("STC") approval. (STC's are required when any new equipment, such as the Company's STAR- A.D.S.™ 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, the FAA in the U.S. and EASA in Europe.

The Company's efforts, either directly or through partnerships, 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. STAR-A.D.S.™ research has indicated the requirement for a simpler, smaller version, now known as STAR-TTT (Track, Talk, Text), which will be utilized by helicopters, small aircraft and land vehicles. It is in final stages of testing with our Chinese partner, Chengdu Spaceon Technology Ltd. ("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 marketed and sold 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](http://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 (“STAR-A.D.S.™”). 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 exclusive license to this patented technology and is actively developing new applications for in-flight medical monitoring, environmental monitoring, and ground-based systems. Star’s exclusive rights to 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 for healthy returns on investment for airlines.

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. The Division designs, manufactures, repairs and sells high performance mission critical flight deck and flat panel displays for defence and commercial aviation industries worldwide.

## **Overview of Products**

### **Capability of the STAR-ISMS® G2 System**

The STAR-ISMS ® G2 patented technology is the heart of the STAR-A.D.S.™ system, which provides airlines/operators with a cost effective, end to end solution allowing the automated capture and delivery of the results of real-time, in-flight analysis of an agreed set of parameters against expected norms. This provides real-time monitoring of the aircrafts’ performance, its status and location, and provides instant and secure access to essential aircraft information from a PC based web connection. The STAR-A.D.S.™ system 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.

## **Overview of Products (Cont'd)**

### **Capability of the STAR-ISMS® G2 System (Cont'd)**

- 6) Detailed function specific reporting to Operations/Finance/Personnel within minutes of wheels down.
- 7) Automated OOOI times
- 8) Automatic worldwide continuous tracking

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, including the STAR-ISMS®G2 and antennas
- 2) Data Management Centre ("DMC")
- 3) Web-based Graphical User Interface

A low-impact, easy to fit aircraft installation kit that enables Iridium Satellite transmission of selected data is provided for operator installation. The equipment installation uses a simple STC for the retrofit which can be completed during a "C" check or when the aircraft is otherwise on the ground for a few days.

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 Products**

Other complimentary products such as "STAR-TTT" (flight tracking and monitoring system incorporating two-way voice and data), "V-trk" (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](http://www.star-navigation.com) for more information.

The recent purchase of the assets of Luxell Quebec Technologies Inc. in April of 2014 resulted in the creation of the new Star MMI Division. The STAR M.M.I. Division designs, manufactures, repairs, qualifies and supports on-Board LCD flat screen displays for Aerospace cockpits (civil or military fixed wing aircraft and helicopters) as well as for Naval and Army applications. The high performance LCD displays and control panels can be military or civil qualified for all applications.

## **Overview of Products (Cont'd)**

### **Other Products (Cont'd)**

In addition, the STAR MMI Division manufactures the STAR-ISMS® G2 box in support of STAR-A.D.S.™ activities.

The integration of the STAR-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.

### **Operational Milestones**

During the nine month period ended March 31, 2015, the Company has made the following progress towards achieving its strategic objectives:

- STAR is now 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, 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 is authorized to design, manufacture, ship and support military applications for STAR MMI, STAR-TTT and STAR-A.D.S.™. STAR will deliver specific displays to an Asian country for its Naval surveillance aircraft. In addition, Star continues to ship units to an aviation OEM.
- Star has a five year contract with an aviation services provider for the purchase and installation of the STAR-A.D.S.™ system aboard one of their aircraft operated by one of its lines of business. This was the Company's first domestic sale.
- STAR and a prominent manufacturer and supplier of flat panel displays located in Europe 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.

## Operational Milestones (Cont'd)

- Expanding on the previous Reseller arrangement, STAR and a prominent reseller in North America 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 Reseller's satellite based flight deck communications systems and the Company's STAR-ISMS® System.

It enables the operator to have a comprehensive flight deck communications and overall flight monitoring as an integrated solution. The two companies have initiated sales and marketing campaigns, promoting this integrated solution to migrate the Reseller's existing customers and to new customers.

- Star signed a Cooperation Framework Agreement with a Chinese aerospace research and product development corporation with expertise and experience in airborne avionics, in-flight controlling and data communications equipment. This corporation is developing the STAR-TTT equipment for manufacturing, marketing and selling in China, targeting the general aviation and helicopter markets. This corporation's 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 is also part of the ICAO/ITU Focus Group on Real Time Tracking and the mandating of Real Time Flight data streaming and is presenting its findings on an ongoing basis.
- The Company has completed the resourcing and organization of its in-house STC Group. This in-house expertise initiative saves cost to outsource the development preparation and submission to Transport Canada, required STC's to install and operate the STAR-A.D.S.™ system on every type of aircraft. It also provides better control of process. The Company's intends to leverage on this expertise to become a Transport Canada Design Approval Organization.
- The Company has applied to Transport Canada to become an Approved Maintenance Organization. This designation will allow the Company to maintain aeronautical products and avionics in-house.
- The Company continued to forge strategic alliances with manufacturers of complimentary products to leverage potential synergies strengthens the Company's product offerings and develop fully integrated solutions for the airline industry.

## Operational Milestones (Cont'd)

- The Company now has a sales office in Montreal, giving Star greater access to OEMs, local operators and other potential R&D project opportunities.
- Star is in discussions with various Chinese entities to resolve delays in manufacturing, collaboration and strategic alliances of the COMAC 919 project.
- Transport Canada has granted an STC with for the installation of its STAR-A.D.S.™ system on an Airbus A320 aircraft, specifically for the recently completed Second Generation ("G2") STAR-ISMS® system. This major milestone as the G2 STAR-ISMS® system offers enhanced functionalities and is a smaller, lighter and cost effective to the end users. The Airbus A320 series is one of the bestselling jet airliners in aviation history operating in most global regions providing a large market for the Company. This STC was developed in-house and reviewed by a Transport Canada approved Designated Airworthiness Representative ("DAR"). This is the latest addition to several other STC's currently owned by the company, including the Boeing B737 family of aircraft.
- The Company is a part of a project which will enhance the Emergency Medical Services (EMS) provided by Air Ambulances, specifically, the Company will provide real-time direct transmission of patients' vital signs to the ground medical dispatch center, along with visual assessment and geo-positioning. The project will be funded mainly by grants from various levels of government, universities, hospitals and corporations.
- 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.
- Star attended and actively participated at several conferences in the course of the year including, IATA, ICAO, ITU and the ATTF Conference in Malaysia.

## Outlook

Star's Management plans to achieve the following objectives over the next 12 months.

- To continue 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 Chinese manufacturer to the testing, manufacture and sale of the STAR-TTT system and, potentially, the sale of the STAR-A.D.S.™ system in China.
- To continue to further develop and refine the military version of the STAR-ISMS® system.
- In conjunction with one of Stars' strategic partners, the Company is further developing and refining the medical monitoring aspects of the STAR-ISMS®. The first MEDEVAC development contract is an R&D effort, supported by the Quebec MEDTEQ provincial organization, and the Federal NSERC. This 2 year study will address a representative prototype of the Emergency Medical Evacuation application using 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 enhance the EMS and Military capabilities, support passenger airlines and highway ambulances.
- Continue the Sales & Marketing presence of the Company at selected airshows and industry conferences in a professional, focused 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 exclusive rights to use patented 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.
- The Company will advance discussions with appropriate authorities in Asia concerning the various licenses required to use the STAR-A.D.S.™ in that airspace. Star's Asia Pacific distributor is working towards a resolution that the situation will soon be resolved to Star's satisfaction.



## **Outlook (Cont'd)**

- Expansion of the revenue stream from existing STAR-A.D.S.<sup>™</sup>, STAR-MMI, STAR-TTT, V-trk 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<sup>®</sup> production with the acquisition of the assets of Luxell Quebec Technologies Inc. ("LUXELL"). (See Press Releases February 20 and April 1, 2014).

## **Selected Financial Information and Management's Discussion and Analysis**

### **General Financial Information at March 31, 2015**

The Company will have to raise financing in the debt or equity markets until it generates sustainable revenues. <sup>™</sup> 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 raised \$3.4 million from private placements in the past two fiscal years and is pursuing financing options. There can be no assurance that the Company will be successful in obtaining further financing.

A STAR-A.D.S.<sup>™</sup> sale has recently been realized to Skyservice and the Company has taken other steps to increase its annual sales such as:

- Regaining 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).
- Hiring of a senior aviation sales and marketing professional (Feb 2014) to reorganize and manage the sales and marketing department along with a senior VP of Corporate Development to increase the Company's exposure world-wide (Mar 2014). This has led to an increase in proposals to airlines regarding both the STAR-A.D.S.<sup>™</sup> and MMI products.
- In March 2014, the Company purchased the assets, patent technology and channel partner lists of Luxell, which produced the STAR-ISMS<sup>®</sup> box. Star also acquired the Man, Machine Interface ("MMI") business that Luxell operated. Star, through its MMI Division, has generated revenues of \$650,000.

### **General Financial Information at March 31, 2015 (Cont'd)**

- Star entered into an agreement to develop the Company's next generation GUI (Graphical User Interface) for its customers at a cost of \$240,000 USD. This project is near completion.
- The cash balance at March 31, 2015 is has increased slightly to \$62,991 as compared to \$134,940 at June 30, 2014. The Company completed a private placement in November, 2014 and started generating revenues in December 2014.
- Assets increased mainly due to the acquisition of the assets of Luxell for \$1,250,000 in March 2014 (See Note 7 of the March 31, 2015 Unaudited Condensed Interim Financial Statements) and partially due to increases in accounts receivables and prepaid expenses.
- Accounts receivable increased due to increased revenues. Prepaid expenses fluctuate and have increased with project costs from the development of its unfinished GUI at this time.
- Carrying value of property and equipment decreased due to depreciation. There were no additions in this period.
- Accounts payable and accrued liabilities have increased due to the development of a graphical user interface by a third-party for Star.
- The Company has minimal long-term debt at March 31, 2015. The Company entered into a new 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 will be expected by future airline customers and to that end, The Company has also 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 further ensure that Star can provide future customers with the confidence that the data generated by Star's system concerning their operations will be protected.
- 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 and to that end has started to record revenues. 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 \$)

	2015	2014	2014	2014
Period Ending	March 31	December 31	September 30	June 30
Revenue	46,758	596,466	69,471	21,895
Working Capital/(Deficit)	(1,839,973)	(1,160,943)	(1,447,926)	(881,760)
Expenses	829,280	1,311,792	741,417	1,480,012
Net Loss	(782,522)	(715,326)	(671,945)	(1,458,104)
Net Loss (per Share)	(0.002)	(0.02)	(0.01)	(0.001)

	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	680,465	581,742	918,234
Net Loss	(705,496)	(695,510)	(567,887)	(946,998)
Net Loss (per Share)	(0.002)	(0.002)	(0.002)	(0.01)

Quarter-over-quarter fluctuations for the last eight periods prior to March 31, 2015 are primarily as follows:

- Continued periods of low revenue generation throughout these periods.
- Working capital continues to be in a deficit position. Working capital increases with each equity raise the Company completes. The Company continues to spend money to get its product acknowledged by the airline market.

## RESULTS OF OPERATIONS

### Comparison of the periods ended March 31, 2015 and March 31, 2014.

The following commentary compares the unaudited condensed interim consolidated financial results for the three and nine month periods ended March 31, 2015 and March 31, 2014.

#### **Overview – Three month periods ended March 31, 2015 and March 31, 2014**

The Company sustained losses of \$782,522 for the three month period ended March 31, 2015 vs. \$705,496 for the period ended March 31, 2014.

**Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd)**

**Revenues:**

Revenues for the three month period ended March 31, 2015 revenues have increased from \$8,069 in 2014 to \$46,758 in the same period of 2015.

<b>Three month period ended March 31,</b>				
	<b>2015</b>		<b>2014</b>	<b>Variance</b>
<b>Total Revenues</b>	<b>46,758</b>		<b>8,069</b>	<b>38,689</b>
<b>Star ISMS</b>	-		-	-
<b>Star MMI</b>	<b>36,414</b>		-	<b>36,414</b>
<b>Star TTT</b>	<b>10,344</b>		<b>8,069</b>	<b>2,275</b>
<b>Other</b>	-		-	-

The increase in revenues is due to Star now shipping units from its MMI division to its customer Lockheed Martin. The Company has now shipped a total of 28 units.

**Cost of Sales:**

Cost of Sales for the year ended March 31, 2015 increased as the increases in sales revenue occurred. The Company is incurring costs in its MMI division related to its MMI sales.

**Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd).**

**General and Administrative:**

<b>Three month period ended March 31,</b>				
	<b>2015</b>		<b>2014</b>	<b>Variance</b>
<b>Total G&amp;A expenses</b>	<b>426,314</b>		<b>262,808</b>	<b>163,506</b>
<b>Board and Committee fees</b>	<b>44,299</b>		<b>38,199</b>	<b>6,100</b>
<b>Consultant costs</b>	<b>-</b>		<b>59,000</b>	<b>(59,000)</b>
<b>Insurance</b>	<b>30,022</b>		<b>12,676</b>	<b>17,346</b>
<b>Accounting fees</b>	<b>21,000</b>		<b>21,000</b>	<b>-</b>
<b>Wages</b>	<b>123,240</b>		<b>970</b>	<b>122,270</b>
<b>Bank charges &amp; interest</b>	<b>29,728</b>		<b>1,368</b>	<b>28,360</b>
<b>Audit &amp; Legal</b>	<b>2,817</b>		<b>31,048</b>	<b>(28,231)</b>
<b>Rent</b>	<b>76,010</b>		<b>48,071</b>	<b>27,939</b>
<b>Other</b>	<b>99,198</b>		<b>50,476</b>	<b>50,476</b>

G&A expenses have increased by \$163,506 for the three month period ended March 31, 2015 from March 31, 2014.

Board and Committee fees have increased due to the addition of a 5<sup>th</sup> director in December 2014. This resulted in the Company now having 4 non-executive directors.

Insurance costs are up this quarter over 2014 as the Company has increased its Directors and Officers coverage which has resulted in higher premiums.

Wages have increased in 2015 due to the Company having added the position of VP of Corporate Affairs. The CEO did not take a salary in this period in 2014.

Interest and bank charges continue to rise and consists of interest paid to the CEO of the Company at the rate of Business Prime Rate + 2% on an annual basis on the outstanding balance of monies owed to him. Also, the Company has equipment leasing costs.

Rent expense has increased as the Company has expanded its corporate office footprint resulting in an increased monthly cost.

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

**Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd).**

**Marketing and Promotion**

<b>Three month period ended March 31,</b>				
	<b>2015</b>		<b>2014</b>	<b>Variance</b>
<b>Total M&amp;P expenses</b>	<b>94,678</b>		<b>108,803</b>	<b>(14,125)</b>
<b>Investor relations</b>	<b>30,000</b>		<b>24,000</b>	<b>6,000</b>
<b>Travel costs</b>	<b>5,678</b>		<b>25,290</b>	<b>(19,612)</b>
<b>Salaries</b>	<b>28,750</b>		<b>19,917</b>	<b>8,833</b>
<b>Consultant costs</b>	<b>30,250</b>		<b>37,500</b>	<b>(7,250)</b>
<b>Other</b>	<b>-</b>		<b>2,096</b>	<b>(2,096)</b>

For the three month period ended March 31, 2015, Marketing and Promotion costs have decreased over 2014.

Consulting costs are down. The Company has been using consultants to help develop a more effective message in its approach to selling its products but the use of these consultants varies by Company needs.

Investor relations costs are up in 2015 as the Company now has hired a public relations as well as an IR from October 2014 onwards. The Company only had an investor relations firm in 2014.

Salaries are related to the VP of Global Sales that was hired in February 2014.

Travel costs are down in this period as the Company has focused mostly on getting the STAR-A.D.S.™ project up and running. Travel has also been reduced to conserve money at this time.

**Research and Development:**

<b>Three month period ended March 31,</b>				
	<b>2015</b>		<b>2014</b>	<b>Variance</b>
<b>Total R&amp;D expenses</b>	<b>291,193</b>		<b>295,135</b>	<b>(3,942)</b>
<b>Amortization expense</b>	<b>108,979</b>		<b>61,990</b>	<b>46,989</b>
<b>Wages</b>	<b>239,539</b>		<b>195,644</b>	<b>43,895</b>
<b>R&amp;D costs</b>	<b>(65,273)</b>		<b>25,050</b>	<b>(90,323)</b>
<b>IT costs</b>	<b>5,250</b>		<b>-</b>	<b>5,250</b>
<b>Travel costs</b>	<b>2,698</b>		<b>-</b>	<b>2,698</b>
<b>Other</b>	<b>-</b>		<b>12,451</b>	<b>(12,451)</b>

## Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd)

### Research and Development (Cont'd)

R&D expenses are comparable for the three month period ended March 31, 2015 to the same period of 2014.

Amortization has increased in this three month period over 2014 due the Luxell assets acquired at the end of March of 2014. There have been no new asset additions in this period.

Wages have increased by \$43,895 as the Company hired new staff for its MMI division and its ADS division. R&D staff has increased by 8 net people since March 2014.

R&D costs decreased as the Company received a SRED refund in this period.

IT costs are up as the Company has entered into a contract to lease space for its "co-location" for its ground station at 151 Front St. in Toronto. This will allow the Company to assure present and future customers that their data is safe and secure while providing 100% up time for its products.

### Overview – Nine month periods ended March 31, 2015 and March 31, 2014

The Company sustained losses of \$2,169,799 for the nine month period ended March 31, 2015 vs. \$1,968,893 for the nine month period ended March 31, 2014. The losses are 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.

#### Revenues:

Nine month period ended March 31,				
	2015		2014	Variance
<b>Total Revenues</b>	<b>712,695</b>		<b>31,836</b>	<b>680,859</b>
<b>Star ISMS</b>	<b>33,974</b>		-	<b>33,974</b>
<b>Star MMI</b>	<b>646,035</b>		-	<b>646,035</b>
<b>Star TTT</b>	<b>32,686</b>		<b>31,836</b>	<b>850</b>
<b>Other</b>	-		-	-

Revenues for the nine month period ended March 31, 2015 have increased by \$680,859 over the same period of 2014.

The increase in is due to sales from its MMI division to its customer Lockheed Martin. MMI sales accounted for 91% of the revenue at March 31, 2015.

## Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd).

### Revenues (Cont'd)

Star has completed a sale of its STAR-A.D.S.™ unit to Sky Service Business Aviation Inc. The first unit out of a total of 3 ordered has been installed.

### Cost of Sales:

Cost of Sales for the year ended March 31, 2015 consists mainly of charges incurred for the Company's TTT customers and MMI costs associated with sales.

### General and Administrative:

Nine month period ended March 31,				
	2015		2014	Variance
<b>Total G&amp;A expenses</b>	<b>1,159,615</b>		<b>730,392</b>	<b>429,223</b>
<b>Board and Committee fees</b>	<b>99,898</b>		<b>113,429</b>	<b>(13,531)</b>
<b>Consultant costs</b>	<b>-</b>		<b>77,000</b>	<b>(77,000)</b>
<b>Insurance</b>	<b>84,106</b>		<b>49,209</b>	<b>34,897</b>
<b>Accounting fees</b>	<b>63,000</b>		<b>60,000</b>	<b>3,000</b>
<b>Wages</b>	<b>371,015</b>		<b>105,332</b>	<b>265,683</b>
<b>Bank charges &amp; interest</b>	<b>107,107</b>		<b>65,492</b>	<b>41,615</b>
<b>Audit &amp; Legal</b>	<b>71,451</b>		<b>31,040</b>	<b>40,411</b>
<b>Rent</b>	<b>201,276</b>		<b>121,086</b>	<b>80,190</b>
<b>Other</b>	<b>161,762</b>		<b>167,804</b>	<b>(6,042)</b>

G&A expenses have increased by \$429,223 for the nine month period ended March 31, 2015 over the same period of 2014.

Board and Committee fees are down due to the resignation of one of the Company directors who was also a committee chairperson in December 2013. He was not replaced immediately. In December 2014, the Company added a 5<sup>th</sup> director, bringing the total of non-executive board members to 4 going forward.

Consulting costs for this period are Nil. The consultant was subsequently hired by the Company as a full time employee and holds the title of VP of Corporate Development.

Insurance costs are up overall this period over 2014 as Star has increased its Directors and Officers coverages which has resulted in higher premiums.

Legal and Audit fees have increased. The Company has incurred additional legal costs related to the development of a GUI for its ground station.



## Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd).

### General and Administrative (Cont'd)

Interest and bank charges continue to rise and consists of interest paid to the CEO of the Company at the rate of Business Prime Rate + 2% on an annual basis on the outstanding balance of monies owed to him. Also, the Company has equipment leasing costs.

Wages have increased for this nine month period over 2014 as the Company has added two former consultants who now hold the titles of VP of Corporate Development and Legal Counsel.

Rent expense has increased as the Company has expanded its corporate office footprint resulting in an increased monthly cost.

Other expenses have decreased by a combined \$33,827 over 2014. The decreases were minimal in amount and spread amongst various accounts.

### Marketing and Promotion

Nine month period ended March 31,				
	2015		2014	Variance
<b>Total M&amp;P expenses</b>	<b>373,328</b>		<b>324,225</b>	<b>49,103</b>
<b>Investor relations</b>	<b>81,000</b>		<b>53,000</b>	<b>28,000</b>
<b>Travel costs</b>	<b>41,111</b>		<b>81,694</b>	<b>(40,583)</b>
<b>Salaries</b>	<b>86,250</b>		<b>19,917</b>	<b>66,333</b>
<b>Consultant costs</b>	<b>157,035</b>		<b>150,019</b>	<b>7,016</b>
<b>Other</b>	<b>7,932</b>		<b>19,595</b>	<b>(11,663)</b>

For the nine month period ended March 31, 2015, Marketing and Promotion costs have increased by \$49,103 over the same period of 2014.

Consulting costs are slightly higher than 2014, the Company has added new consultants as it works to promote its products.

Investor relations costs are up by \$28,000 as the Company hired a public relations firm in October 2014 in addition to its IR firm already on board. The Company only had an investor's relations firm in 2014.

Salaries are related to the Company's VP of Global Sales who was hired in February 2014.

**Comparison of the periods ended March 31, 2015 and March 31, 2014 (Cont'd).**

**Marketing and Promotion (Cont'd)**

**Research and Development:**

<b>Nine month period ended March 31,</b>				
	<b>2015</b>		<b>2014</b>	<b>Variance</b>
<b>Total R&amp;D expenses</b>	<b>1,042,973</b>		<b>782,544</b>	<b>260,429</b>
<b>Amortization expense</b>	<b>331,950</b>		<b>189,104</b>	<b>142,846</b>
<b>Wages</b>	<b>746,877</b>		<b>532,624</b>	<b>214,253</b>
<b>R&amp;D costs</b>	<b>(63,455)</b>		<b>40,354</b>	<b>(103,809)</b>
<b>IT costs</b>	<b>17,249</b>		<b>-</b>	<b>17,249</b>
<b>Travel costs</b>	<b>7,217</b>		<b>13,162</b>	<b>(5,945)</b>
<b>Other</b>	<b>3,135</b>		<b>7,300</b>	<b>(4,165)</b>

R&D expenses have increased by \$260,429 for the nine month period ended March 31, 2015 over the same period of 2014 and the changes are as follows:

Amortization has increased due to the Luxell acquisition in March of 2014. There have been no new asset additions.

Research & development costs were lower in this quarter due to the receipt of a SRED grant received in 2015.

IT costs relate to the Company's "co-location" facility used for its ground station.

Wages have increased due to staff additions for both the MMI division and the STAR-A.D.S.™ division.

**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, 2015 the Company held \$1,024 (June 30, 2014 - \$59,822) of cash and cash equivalents in US dollars.

## **Liquidity and Capital Resources**

The Company had a cash balance of \$62,991 at March 31, 2015 compared to a cash balance of \$134,940 at June 30, 2014.

The Company continues to raise funds through private placements to sustain operations until revenues generate adequate cash flow. The Company has completed a private placement of Units of common shares and warrants for \$807,000 in May 2015 (see Subsequent Events). In November, 2014 it completed a private placement for gross proceeds of \$900,000. The Company now has a working capital deficiency of \$1,643,973 at March 31, 2015 compared to a working capital deficiency of \$881,760 at June 30, 2014. The increased deficiency is due to increases in related party loans, private placement loans and an increase in accounts payables and accrued liabilities.

Management continues to evaluate various financing options for the Company's short and long-term obligations. The financing alternatives include debt and/or equity financings, asset sales and rights offerings to existing shareholders. While the Company is striving to achieve its financing plans, there is no assurance that future funding will be available on favorable terms to the Company, or at all. Due to the uncertainty of sales, the Company is unable to project the level of financing it may require to fund operations.

The Company's has depended on the support of its shareholders for financing. This will continue to be the case until sales from STAR-A.D.S. <sup>TM</sup> increase and become consistent. STAR-MMI sales have hit the \$650,000 level and based on demand, the Company expects that revenues for STAR-MMI will continue.

The Company is current on its supplier payments and 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 March 31, 2015 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)	334,467,892
Share Purchase Warrants (ii)	138,412,050 (exercise prices ranging from \$0.12 cents to \$0.30)
Stock Options	9,902,900 (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 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 March 31, 2015 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.

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.

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

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 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.

## **Related Party Transactions (Cont'd)**

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 Company has a license agreement in place with its CEO and Chairman of the Board (See Note 16(b) of the unaudited interim condensed consolidated financial statements) regarding royalties to be paid upon future sales of the Company's ISMS products. At this date no royalties have been recorded as the agreement does not commence until the CEO and Chairman of the Board is no longer with the Company.

The following balances are due to related parties as of March 31, 2015:

Due to Directors - \$51,000 (2014 - \$16,000), Due to Committee Chairpersons - \$41,000 (2014 - \$16,000), and Due to Chief Executive Officer and Chairman of the Board of Directors - \$1,507,462 (2014 - \$1,017,392). The Company also has \$19,197 (2014 - \$2,425) in credit card debt guaranteed by the CEO and Chairman of the Board in accounts payables and accrued liabilities.

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.

Included in the unaudited condensed interim consolidated statement of comprehensive loss for the period ended March 31, 2015, in general and administrative expenses is \$425,379 (2013 - \$195,110) in fees paid and accrued to directors and officers of the Company. An amount of \$211,500 in respect of salary (2014 - \$9,000) was accrued to the Company CEO. As well, a total of \$50,981 (2014 - \$25,061) 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 \$425,379 (2014 - \$195,110) were Board of Directors fees of \$62,000 (2014 - \$70,323) which were accrued. Chairperson fees of \$19,599 (2014 - \$43,106) were accrued and paid. Payments to the Chief Operating Officer of \$Nil (2014 - \$10,721) were paid. Included in professional fees of \$63,000 (2014 - \$60,000), 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.

## **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.

## **Subsequent Events**

On May 15, 2015, the Company announced that it has closed its previously announced non-brokered private placement, having issued 16,140,000 units of the Company (the "Units") at a price per Unit of \$0.05 for gross proceeds of \$807,000. Each Unit consists of one common share in the capital of the Company and one warrant. One-half (1/2) of the number of warrants acquired entitle the holder to purchase one (1) additional common share of the Corporation at six (\$0.06) cents per warrant exercised and the remaining one-half (1/2) of the warrants entitle the holder to purchase one additional common share of the Corporation at twelve (\$0.12) cents per warrant exercised. The warrants are exercisable during the two (2) year period from the date of issue.

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. Due to the fact that the private placement was completed in two tranches, there are two hold period expiry dates and two warrant expiry dates associated with the shares and warrants issued. The first tranche four month hold period on 10,000,000 common shares expires August 30, 2015; the second tranche four month hold on 6,140,000 common shares expires September 20, 2015. Any common shares issued as the result of conversion of warrants will also be subject to the same hold periods. In addition, 10,000,000 warrants will expire on April 29, 2017, while 6,140,000 warrants will expire on May 20, 2017. The net proceeds of the placement will be used for research and development, marketing and corporate overhead. Star has agreed to pay finder's fees in the amount 1,450,000 Units. The price was reserved with the TSX-V.

## **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.

## **Risk Factors and Risk Management (Cont'd)**

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.

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, the Company is continuing to review and reorganize its sales process. Where possible, it makes greater use of video conferencing, although face to face meetings are required with respect to already well defined and prepared prospects and opportunities.

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® G2 hardware, the capabilities of the STAR-A.D.S.™ system as a whole and the ease of use and functionality of information available through the DMC. 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® unit provides a large measure of security, advances in technology are possible.

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. In addition, the Company will soon be making applications for FAA STC's in order to facilitate U.S. sales. As is the case with all regulatory matters, this procedure may be subject to as yet unascertained delays.



## **Risk Factors and Risk Management (Cont'd)**

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 March 31, 2015.