Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three month periods ended September 30, 2015 and September 30, 2014

Date – November 27, 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 month periods ended September 30, 2015 and September 30, 2014 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2015 and June 30, 2014. 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 November 27, 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, Liquidity and Capital Resources 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, either directly or through joint arrangements 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 marketing and travel arrangements. Ongoing political events in the Middle East continue to cause some restriction of the Company's efforts there.

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. ™ and STAR-MMI divisions to successfully promote and sell products and services 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.

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, an aircraft computer at the heart of the STAR airborne data service (STAR-A.D.S.™). It is the first system in the world that combines 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-A.D.S.™ System 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 STAR-ISMS® computer 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.

The Company's purchase of the assets of Luxell Quebec Technologies Inc. resulted in the creation of the STAR-MMI Division in April, 2014. The Division which designs, repairs and sells high performance flat panel displays for defence and commercial aviation industries, is rapidly ramping up its new activities within Star. Already STAR-MMI is serving major avionics integrators and system manufacturers worldwide.

OVERVIEW OF ACTIVITIES AND STAR PRODUCTS

STAR-A.D.S. ™

The STAR-ISMS ® patented technology is the heart of the STAR-A.D.S.™ System. The System provides to airlines/operators 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. This offers the capability of 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 the operator with fast, convenient visibility of information from any location, within minutes of the data being generated on an aircraft data bus, in flight, anywhere in the world.

The Company has refined and expanded the manner in which the STAR-A.D.S.™ system is marketed and sold. The efforts of its Research and Development team to enhance the capabilities of the STAR-A.D.S.™ system, as well as the rest of the Star product line, has resulted in two products coming online. Recognizing the requirement for a simpler, smaller version of the full STAR-A.D.S.™ System, Star has introduced STAR-TTT (TALK, TRACK, TEXT), which will be utilized by helicopters, small aircraft and land vehicles. It is in the final stages of testing with our Chinese partner, Chengdu Spaceon Technology Ltd. ("Spaceon"), with completion of testing slated for the end of 2015. The product is now expected to be ready for the Chinese market in the second quarter of 2016, and for the rest of the world once the Company has received Transport Canada ("TC") approval. Star has also developed another product known as V-trk, which is a smaller, more economical version of the STAR-TTT. V-trk will be ready to market for the second quarter of 2016.

STAR-MMI

The STAR-MMI Division designs, manufactures, repairs, performs qualification tests, and supports on-board LCD flat screen displays. The high performance LCD displays and control panels from STAR-MMI are used in Aerospace cockpits of fixed wing aircraft and helicopters. The applications are military and commercial. STAR-MMI also develops displays for Naval and Army applications.

STAR-MMI has all of the capabilities in-house to design, manufacture and offer product support. Its products have already been delivered to various major system avionics integrators worldwide, all of them belonging to the Fortune 500 listing.

In addition, the STAR-MMI Division manufactures the STAR-ISMS® G2 computer, in support of STAR-A.D.S.™ System activities. The integration of the STAR-MMI division has allowed Star to control its supply chain, effectively complete its program and engineering capabilities while adding to its portfolio of products.

Other Products

Also, Star has developed a Terrestrial and Marine unit (which serves the same purpose for land and marine applications), and is currently being marketed. See the Company's website at www.star-navigation.com for more information.

OPERATIONAL MILESTONE UPDATES

During the quarter ended Sept 30, 2015, the Company made the following continued progress towards achieving its strategic growth objectives:

- STAR and IRTS (a prominent manufacturer and supplier of flat panel displays located in Europe), have an agreement 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 are promoting 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 relationship has generated export activities for MMI displays, and the European partner is now actively considering STAR-A.D.S.™ opportunities.

- The Company's previous Reseller arrangement with International Communications Group was cancelled after their recent acquisition by Rockwell Collins. Star is in current discussions with Rockwell Collins management respecting a potential cross distribution of products.

- Star has expanded on its Cooperation Agreement with Spaceon, a Chinese aerospace research and product development corporation with expertise and experience in airborne avionics and data communications equipment. Spaceon is Star's development partner for the STAR-TTT equipment. It is responsible for the manufacturing, marketing and sales in China. They will be targeting the general aviation and helicopter markets. Discussions are underway which would also see Spaceon undertake the marketing, sales and implementation of the STAR-A.D.S.™ System in China for commercial airlines. The STAR-TTT development and qualification efforts are now well on track. The qualification phase has started, aiming at a dual qualification in China and Canada for the first quarter of calendar 2016.

- Star through its partnership with Spaceon, is in contact with several operators and OEMs in China to present them with value-added solutions for their operations and support questions. The joint Spaceon-Star marketing and promotional activities have been initiated this year and are now being implemented. Spaceon exhibited the STAR-TTT and STAR-A.D.S.™ at the October 2015 Dubai Air Traffic Congress for the benefit of the two companies.

OUTLOOK - STRATEGIC OBJECTIVES FOR 2016 AND BEYOND

Star's Management is working to achieve the following objectives over the next 12 months and beyond.

- Star will continue to execute the commercialization of the STAR-A.D.S.™, STAR-TTT and V-trk products with a focus on:
    - specific airlines and operators using the legacy A320, B737 and Learjet business jets to leverage on Star's existing STC's and first installation experience.
    - finishing the dual certification of the STAR-TTT in China and in Canada and commencing its entry into markets for Talk, Track and Text requirements. Completing implementation of the joint sales and marketing plan with our Chinese partner, Spaceon, which includes the sale of the STAR-A.D.S.™ system in China.
    - obtaining the qualification and certification of the STAR V-trk for small platforms and for ground transport, and facilitating its entry into the market.
    - developing new value-added services utilizing STAR-A.D.S.™ capabilities.
- To further develop the capability of its data management services.
- In conjunction with one of Stars' strategic partners, the Company is developing new and refining existing medical monitoring aspects of the STAR-ISMS® technology. 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 began in the spring of 2015 and ends in December 2017. It 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 are designed to enhance the EMS and Military capabilities, support passenger airlines and highway ambulances. In 2016, the project will develop additional STAR-MMI products (e.g. retrofits for commercial aircraft and helicopters in addition to military aircraft) and capabilities through distribution and support agreements with complementary companies. This will ensure that Star-MMI stays focused on market opportunities in North America and in Europe.
- Star will continue to promote its product lines at selected airshows, such as Farnborough and Shanghai. It will also attend industry conferences in coordination with Star Partners (Spaceon and IRTS) to demonstrate Star's products and expand branding visibility.

OUTLOOK - STRATEGIC OBJECTIVES FOR 2016 AND BEYOND (Cont'd)

- To implement a three-year R&D plan, for STAR-A.D.S.™ and STAR-MMI lines of products to structure and to support the development efforts and to ensure increased product offerings. This plan will address:
    - Completion of the EMS (MEDEVAC) prototyping and qualification for STAR-A.D.S.™
    - Development of specific new application services for STAR-A.D.S.™ to offer to the customers
    - Initiation of STAR-MMI new technology applications and uses
    - The increase of STAR-MMI capabilities for obsolescence replacement solutions to the market (defense and commercial)
- The Company will complete 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 and is cautiously optimistic that the situation will soon be resolved to Star's satisfaction.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at September 30, 2015

The Company will require debt and/or equity financing until it generates sustainable revenues from operations.

The Company has raised $1.707 million from private placements during the 2015 fiscal year and another $262,000 in the first quarter of fiscal 2016. It is also pursuing other financing options. There can be no assurance that the Company will be successful in obtaining further financing.

The Company signed a contract with Skyservice of Montreal in June 2014 for the purchase of up to 3 STAR-A.D.S. ™ Systems. The first aircraft Installation on a Learjet 45 was completed (including power-up of the complete system (air and ground)) during fiscal 2015.

The Company's Star-MMI Division ("Man Machine Interface") business commenced operations in April 2014. The division generated revenues of $714,000 in fiscal 2015.

Star-MMI revenue for fiscal 2016 to date, including current sales booked and purchase orders already received totals $575,000. The Company is on target to meets its 2016 projection of $1.8 million for fiscal 2016.

Assets are down due to the decrease in cash (used in operations), reduced inventory levels and normal depreciation taken throughout the year on PPE and other assets.

Accounts receivable are collected on a regular basis.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at September 30, 2015 (Cont'd)

Carrying value of property, plant and equipment ("PP&E") decreased due to normal depreciation. There were no PP&E additions in this quarter.

The Graphical User Interface ("GUI") is now completely functional and has started to be amortized in this quarter.

Accounts payable and accrued liabilities have increased due to cash constraints experienced by the Company. Payroll remittances are in arrears but the Company has a payment arrangement with the Canada Revenue Agency to address this deficiency. Other creditors have been contacted regarding these constraints and are working with the Company and have been supportive of smaller monthly payments over longer periods of time.

The Company has long-term debt at September 30, 2015 which includes amounts due to the CEO and Chairman of the Company as well as a computer hardware lease. The Company entered into this leasing arrangement in April 2014 to update its computer infrastructure and ensure the necessary security expectations required by future airline customers. The Company also entered into an agreement to co-locate its computer infrastructure and backup systems at "151 Front St." in Toronto, which houses the technology systems of some of the largest companies in the world. This move will further ensure that Star is able to provide confidence to future customers for the protection of the data generated by Star's system.

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	2015	2015	2014
Period Ending	September 30	June 30	March 31	December 31
Revenue	111,705	35,733	46,758	596,466
Working Capital/(Deficit)	(1,029,176)	(744,463)	(1,839,973)	(1,160,943)
Expenses	729,969	859,347	829,280	1,311,792
Net Loss	(618,264)	(823,615)	(782,522)	(715,326)
EBITDA	(511,544)	(681,644)	(656,590)	(570,316)
Net Loss (per Share)	(0.002)	(0.002)	(0.002)	(0.002)

	2014	2014	2014	2013
Period Ending	September 30	June 30	March 31	December 31
Revenue	69,471	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	680,465
Net Loss	(671,945)	(1,458,104)	(705,496)	(695,510)
EBITDA	(534,791)	(1,268,779)	(631,263)	(618,801)
Net Loss (per Share)	(0.002)	(0.005)	(0.003)	(0.003)

RESULTS OF OPERATIONS

Comparison of the periods ended September 30, 2015 and September 30, 2014

The following commentary compares the unaudited condensed interim consolidated financial results for the three month periods ended September 30, 2015 and September 30, 2014.

The Company sustained a loss of $618,264 for the three month period ended September 30, 2015 vs. a loss of $671,945 for the same period ended September 30, 2014. The losses are due 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:

Three months ended September 30,					
	2015		**2014**		**Variance**
Total Revenues	**111,705**		**69,472**		**42,233**
Star-ISMS	**-**		**32,208**		**(32,208)**
Star-MMI	**107,213**		**26,034**		**81,179**
Star ISMS-Lite	**4,492**		**11,230**		**(6,738)**

RESULTS OF OPERATIONS (Cont'd)

Revenues (Cont'd)

Revenues for 2015 have increased by $42,233 over 2014.

MMI sales have accounted for the majority of the increase over 2015. The program started generating consistent revenues in September of 2014. MMI sales accounted for 96% of the revenues for the quarter ended September 30, 2015.

Star ISMS-Lite revenues have decreased over 2014 levels. Star ISMS-Lite customers scaled back on flights using the ISMS-Lite box as their mission with the United Nations is winding down.

Cost of Sales:

Three months ended September 30,					
	2015		**2014**		**Variance**
Total Cost of Sales	**55,531**		**16,402**		**39,129**

Cost of Sales for the period ended Sept 30, 2015 now includes the MMI program. The other components are the costs associated with the ISMS-Lite program.

General and Administrative:

Three months ended September 30,					
	2015		**2014**		**Variance**
Total G&A expenses	**232,227**		**205,345**		**26,882**
Accounting fees	**21,000**		**21,000**		**-**
Bank charges & interest	**1,334**		**1,665**		**(331)**
Board and Committee fees	**39,299**		**32,199**		**7,100**
Insurance	**24,745**		**26,417**		**(1,672)**
Other	**26,367**		**28,693**		**(2,326)**
Rent	**39,350**		**36,596**		**2,754**
Wages	**80,132**		**58,775**		**21,357**

Board and Committee fees are up as the Company has one more director in this period of 2015 than in 2014.

Insurance costs have decreased this quarter over 2014 due to lower rates for commercial, liability and D&O insurance. Group insurance costs are the largest component of insurance costs and have increased due to increased staff on the plan and plan rate increases due to this increased usage.

Comparison of the periods ended September 30, 2015 and September 30, 2014 (Cont'd)

General and Administrative (Cont'd)

Wage expense increased in this quarter 2015 over 2014 due to a salary increase for the C.O.O.

Rent expense has increased in 2015 as the Company opened an office in Montreal in September 2014 which resulted in an additional monthly cost of $1,167.

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

Marketing and Promotion

Three months ended September 30,					
	2015		**2014**		**Variance**
Total M&P expenses	**121,859**		**128,057**		**(6,198)**
Consultant costs	**37,607**		**53,500**		**(15,893)**
Investor relations	**30,000**		**18,000**		**12,000**
Promotional costs	**-**		**2,697**		**(2,697)**
Salaries	**28,750**		**28,750**		**-**
Travel costs	**25,502**		**25,110**		**392**

Marketing and promotion costs have decreased this quarter over 2014.

Consulting costs are down as the Company has scaled back on the number of consultants it now uses.

Investor relations costs increased in 2015 as the Company had both an IR firm and a PR firm employed.

Travel costs remained the same in this quarter.

Research and Development:

Three months ended September 30,					
	2015		**2014**		**Variance**
Total R&D expenses	**301,695**		**367,083**		**(65,388)**
Amortization expense	**82,691**		**113,210**		**(30,519)**
IT costs	**5,250**		**200**		**5,050**
R&D costs	**3,802**		**2,895**		**907**
Travel costs	**-**		**3,088**		**(3,088)**
Wages	**209,952**		**247,690**		**(37,738)**

R&D expenses have decreased by $65,388 for the period ended September 30, 2015 over the same period of 2014.

Amortization expense has decreased due to test equipment being almost fully amortized which is now offset by the GUI which is now being amortized by the Company.

IT costs relate to the Company's "co-location" facility used for its ground station which was not in place at this time in 2014.

Wages have decreased to staffing reductions and salary cuts 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 September 30, 2015 the Company held $Nil (June 30, 2015 - $183) of cash and cash equivalents in US dollars. As at Sept 30, 2015 the Company had $15,399 (June 30, 2015 - $66,259) in accounts receivable that are in US dollars. As at Sept 30, 2015 the Company had $54,684 (June 30, 2015 - $61,718) in accounts payable and accrued liabilities that are in US dollars. A 1% change in the foreign exchange rate would have a $392 impact on profit and loss.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash indebtedness of $34,110 at September 30, 2015 compared to a cash indebtedness balance of $43,290 at June 30, 2015.

The Company has a working capital deficiency of $1,029,176 at September 30, 2015 compared to a working capital deficiency of $744,463 at June 30, 2015. The increased working capital deficiency is due to an increase in the current portion of related party loans and an increase in accounts payables and accrued liabilities.

The Company will need to raise funds through private placements or other financing options to sustain operations until revenues from the MMI and STAR-A.D.S.™ programs generate adequate cash flows. The Company completed a private placement in August 2015 raising $262,000 in gross proceeds. The Company also completed 2 private placements of Units of common shares and warrants in fiscal 2015 for $1,707,000.

The Company continues to look at ways to reduce its monthly burden and is contemplating further staffing reductions and overhead cuts.

The Company borrowed $200,000 from both private investors and shareholders to meet its current and future working requirements in August 2014. This loan is scheduled for repayment in November 2015. The loan has not been repaid and interest will accrue at 18% per annum. The Company has received sales orders for its MMI division totaling just over $575,000 (booked sales of $107,000 in Q1 and orders received and not yet completed of $468,000) subsequent to the fiscal 2015 year-end. These orders are now in the process of being filled as of the date of this MD&A.

During the quarter ended September 30, 2015, cash flow used in operating activities was $352,826 as compared to $417,176 at September 30, 2014. The Company's average monthly cash burn remains consistent. Management expects to further realign operations to reduce the monthly burn rate until MMI and STAR-A.D.S. ™ revenues have increased adequately.

Management is currently evaluating various financing options for the Company's short and long-term obligations. The financing alternatives can include debt and/or equity financings, asset sales and rights offerings to existing shareholders. There is no assurance that future funding will be available on favorable terms to the Company, or at all. Combined with no assurance for future funding and due to the uncertainty of future sales, the Company is projecting the level of financing it may require to fund operations from the date of this MD&A until June 30, 2016 to be $1,200,000

The Company has depended in the past on the support of its shareholders for financing. This will continue to be the case until revenues from both the STAR-A.D.S. ™ and STAR-MMI are able to cover the monthly costs.

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, 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	358,040,892
Share Purchase Warrants	137,165,051 (exercise prices ranging from $0.06 cents to $0.15)
Stock Options	9,522,900 (exercise prices ranging from $0.06 to $0.32 with expiry dates up to December 15, 2018 and various graded vesting provisions).

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

Future IFRS changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 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.

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 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. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED (Cont'd)

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 these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to the determination of the expected life of property and equipment and intangible assets; inventory valuation; valuation of deferred income tax amounts; impairment testing; the calculation of stock-based compensation; and the valuation of options and warrants granted.

The most significant judgments relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, determination of whether the Luxell asset acquisition represents an asset purchase or business combination and the resultant purchase price allocation, provisions and contingencies, assessment of going concern uncertainties, classification of leases as finance versus operating, and the application of the deferral criteria on the GUI system.

RELATED PARTY TRANSACTIONS

The Company has accrued and carries a significant balance on its unaudited condensed interim 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 corporate governance, reviewing strategic plans, budgeting, material contracts or joint ventures and any other material information deemed 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. The terms for payment of the amounts accrued 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 an exclusive license agreement in place with a company owned and controlled by its CEO and Chairman of the Board regarding the use of patents related to the STAR-ISMS® technology.

The Company has an employment agreement in place with its CEO and Chairman of the Board regarding royalties to be paid upon future sales of the Company's STAR-ISMS® technology products which becomes effective under certain conditions on the termination of the CEO from the Company.

The Company has a loan agreement in place with the CEO dated June 30, 2015. The agreement provides that the loan be separated into both short and long-term portions of the obligation owed to the CEO. The CEO has waived his right to demand repayment on the long-term amounts due to him by the Company prior to June 30, 2016. The agreement provides that up to $180,000 could be paid towards the short-term portion of the loan within the fiscal year 2016. The balance will be paid subsequent to fiscal 2016.

RELATED PARTY TRANSACTIONS (Cont'd)

The amount due to related parties as of Sept 30, 2015 is $1,684,884 (June 30, 2015 - $1,628,345) and is comprised of the following,

	2015	2014
Due to Directors	$ 51,000	$ 43,599
Due to Committee Chairpersons	13,000	4,000
Due to Chief Executive Officer	1,523,617	1,505,369
Due to Chief Operating Officer	97,267	75,377
Total at September 30, 2015	$1,684,884	$1,628,345

The Company also owes $26,961 (June 30, 2015 - $23,403) in credit card debt that is guaranteed by the CEO and Chairman of the Board in accounts payables and accrued liabilities.

The amount due to related parties included in the unaudited condensed interim consolidated statement of comprehensive loss as of Sept 30, 2015 is $140,049 (Sept 30, 2014 – $147,643). This amount in general and administrative expense represents fees paid and accrued to directors and officers of the Company;

	2015	2014
Chief Executive Officer	$13,721	$70,500
Chief Operating Officer	42,000	-
Chief Financial Officer	21,000	21,000
Board of Director fees	24,000	18,000
Committee Chairperson fees	15,299	14,199
Interest on loan to Chief Executive Officer	24,029	23,944
Total at September 30, 2015	$140,049	$ 147,643

The amounts owing to related parties are unsecured, bear interest at prime + 2.0% and have no fixed terms for repayment. The interest payable at prime + 2.0% is applicable to only the amount due to the CEO and Chairman of the Board. It is not applicable on amounts owed to members of the Board of Directors.

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 October 2, 2015, the Company received approval from the TSX-V to extend the expiry date and amend the exercise price of 11,250,000 share purchase warrants which were issued pursuant to a private placement and were accepted for filing by the Exchange on October 24, 2013. The warrants were scheduled to expire on October 16, 2015 and were exercisable at $0.20 per share purchase warrant. The term has been extended to October 15, 2018 and the exercise price has been reduced to $0.08 per share purchase warrant.

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 three factors: hardware sales, ongoing monthly monitoring charges and airtime and STAR-MMI repair activities. 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. Revenue from STAR-MMI Division activities has been relatively stable on an annualized basis but can vary throughout the year.

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. STAR-MMI R&D expenses are relatively low at this point.

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.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

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. The target clients for STAR-TTT and V-trk represent a much larger group which should require a shorter sales and installation cycle.

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 refocusing 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 date management centre. Development of the next generation G3 system 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.

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 three month period ended September 30, 2015.