

Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three and nine month periods ended March 31, 2016 and March 31, 2015

Date – May 30, 2016

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, 2016 and March 31, 2015 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 May 30, 2016.

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 for its main STAR-A.D.S. ® System, STAR-TTT™, STAR-Vtrk™ and STAR-MMI™ products and variants, either directly or through joint arrangements in the Middle East, South East Asia 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, cultural differences, differing legal environments 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- M.M.I.™ 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 and transportation solutions—hardware and software platforms—that assist aviation and other transport related operators worldwide. Headquartered in Toronto, Ontario, Star has developed the STAR-ISMS® In-Flight Safety Monitoring System, an aircraft computer that is 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 enhanced 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 resulting certifications for installations on commercial and business aircraft (e.g.: A320, B737, Learjet 45.). 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-M.M.I.™ Division in April, 2014. The Division, which designs, manufactures, repairs and sells high performance flat panel displays for defence and commercial aviation industries, is becoming an important revenue generator within Star. Already, STAR- M.M.I.™ 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.

STAR-TTT™ / STAR-V-trk™

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 additional differentiated products coming online:

- Recognizing the requirement for a smaller, simpler, version of the full STAR-A.D.S.® System, Star has introduced STAR-T.T.T.™ (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 end of summer 2016 as the certification authorities from both countries have agreed and accepted the complete test plan developed by Star Navigation and Chengdu. The product is now expected to be ready for the Chinese market in the second half of CY 2016, and for the rest of the world once the Company has received final Transport Canada ("TC") and Chinese CAAC dual approval. It is currently going through the TC approved test program.
- STAR T.T.T.™ has potential applications for land vehicle applications as well.
- Star has also developed another product, known as STAR-V-trk™, which is a small, economical unit with several variants, starting with a worldwide tracker, and adding incremental options for monitoring various functionalities. The product has received strong interest as a multi-purpose tool from the small aircraft and helicopter community. Its specifications have been updated taking into account the requirements and comments received. STAR-V-trk™ is expected to be ready to market in the second half of CY 2016.

STAR-M.M.I.™

The STAR-M.M.I.™ Division designs, manufactures, repairs, performs qualification tests on, and supports on-board LCD flat screen displays. These high performance LCD displays and control panels from STAR-M.M.I.™ are used in aerospace cockpits of fixed wing aircraft and helicopters for both civilian and military applications.

STAR-M.M.I.™ has full 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-M.M.I.™ Division manufactures the STAR-ISMS® G2 computer, in support of STAR-A.D.S.® System activities, and now is developing the Gen 3 version for specific new customer applications. The integration of the STAR-M.M.I.™ division has allowed Star to control its supply chain, effectively complete its program and engineering capabilities while adding to its portfolio of products.

OPERATIONAL MILESTONE UPDATES

During the nine months ended March 31, 2016, the Company made the following continued progress towards achieving its strategic growth objectives:

- Star has joined forces with Nacora Insurance Brokers, a division of Kuehne + Nagel Ltd., ("Nacora") to offer their mutual commercial aviation customers' additional savings by way of an insurance premium reduction to STAR-A.D.S.® users.
- STAR and IRTS (an established manufacturer and supplier of flat panel displays and ruggedized computers, located in Europe), have entered into an agreement to expand their existing business relationship beyond on-board ruggedized displays to include Star's STAR-A.D.S.® System activities. By combining their respective strengths and experience, the two companies are promoting the STAR-A.D.S.® System to selected French and European airlines and operators. While at the same time developing new applications for in-flight medical and environmental monitoring, and providing other added-value services to operators
- Star has become an Approved Vendor to a major Asian aircraft and avionics manufacturer. This status covers its STAR-M.M.I.™ Division displays and control panels, as well as its STAR-A.D.S.® Real-time monitoring and analysis systems. Star is authorized to compete on RFP's and to cooperate with this manufacturer. This opens new possibilities for all our products. Star Navigation has already answered to queries from this OEM and is pursuing the dialogue. The equipment will of course depend on the planning of the aircraft on which they are targeted for integration.
- 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 -T.T.T.™ equipment. Star and Spaceon have executed a formal Cooperation and Marketing Agreement ("CA"). It includes provisions for the already developed and marketed STAR- A.D.S.® System. Spaceon will manufacture the STAR -T.T.T.™, and market, sell and support both the STAR -T.T.T.™ and potentially the STAR- A.D.S.® System in China. Star has provided marketing tools, and necessary documentation to Spaceon and the two companies have initiated the implementation of a business plan.

OPERATIONAL MILESTONE UPDATES (Cont'd)

- Spaceon will implement a Chinese data management center for its activities. STAR will offer the STAR-T.T.T.™ equipment and solution, along the STAR-A.D.S.® System, to the rest of the world.
- Star, through 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 are now being implemented.
- ICAO made official recommendations to airlines and OEMs that they install equipment capable of providing regular tracking reports during a flight as of 2020. The STAR-A.D.S.® system, as certified and fielded, already addresses the objectives of the focus groups, and already meets today the recommendations of the ICAO for tomorrow.
- During the 21st Session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP21), world leaders hammered out an agreement aimed at stabilizing the climate and avoiding the worst impacts of climate change. Utilizing the STAR-A.D.S.® System as designed, airlines and operators can significantly save on their fuel usage, and thereby, be sure that they directly and permanently contribute to the global objectives of greenhouse gas emission reduction.

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.® System, STAR -T.T.T.™ and STAR 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.
 - Completing the dual certification of the STAR -T.T.T.™ in China and in Canada and commencing its entry into markets for Talk, Track and Text requirements. Implementing the joint sales and marketing plan objectives 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 bringing it into the market.
 - Continue to develop and exploit new applications of existing Star technology in the area of land transportation.
 - Work closely in support of the efforts of its distributors worldwide.

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

- To further develop the capability and marketability of its data management services through further value-added services, offering applications directed towards flight safety, direct analysis by the operator of their operational data, and other services that allow the operator to save time and resources in the collection, formatting and analyzation data.
- In conjunction with 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. It addresses a representative prototype of the Emergency Medical Evacuation application using the STAR-A.D.S.® System, transmitting the bio data of a patient directly from the aircraft in flight to the receiving medical dispatch center, in real time. Applications are designed to enhance EMS and Military capabilities, as well as supporting passenger airlines and highway ambulances.
- In 2016, Star will develop additional STAR-M.M.I.™ Division products (e.g. retrofits for commercial aircraft and helicopters in addition to military aircraft) and capabilities through distribution and support agreements with complementary companies. Already, through our focused approach on European and Asian targets for key retrofit military programs, Star is responding to specific retrofit requests. This will ensure that STAR-M.M.I.™ 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, IRTS) to demonstrate Star's products and expand branding visibility.
- Implementation of a three-year R&D plan for the STAR-A.D.S.® System, STAR-TTT™, Star *V-trk*™ and STAR-M.M.I.™ lines of products to structure and to support 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.®, and to extend the MEDEVAC approach to Europe through partnering.
 - Development of specific new application services for the STAR-A.D.S.® System to offer to customers.
 - Initiation of STAR-M.M.I.™ new technology applications and uses.
 - The increase of STAR-M.M.I.™ capabilities for obsolescence replacement solutions to the market (defense and commercial).

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

- The Company will continue discussions with appropriate authorities in Asia concerning the various licenses required to use the STAR-A.D.S.® System in that airspace. Star's Asia Pacific distributor is working towards a resolution and remains cautiously optimistic that the situation will be resolved to Star's satisfaction.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at March 31, 2016

The Company will continue to require debt and/or equity financing until it generates sustainable revenues from operations on a consistent basis.

The Company raised \$1.707 million from private placements during the 2015 fiscal year and another \$1,216,040 in fiscal 2016 (See Subsequent Events). It is also pursuing other financing options at the same time. 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-M.M.I.™ Division ("Man Machine Interface") business commenced operations in April 2014. The division generated revenues of \$714,000 in fiscal 2015.

STAR-M.M.I.™ revenue for fiscal 2016 to date, including current sales booked and purchase orders already received totals \$882,000. The Company will not meet its target of \$1.8 million in MMI sales for fiscal 2016 due to administrative and contract delays by a major customer.

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.

There were additions to Other assets and no PP&E additions 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.

General Financial Information at March 31, 2016 (Cont'd)

The Company has long-term debt at March 31, 2016 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. This lease commitment ends in June 2016. 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.

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 \$)

	2016	2015	2015	2015
Period Ending	March 31	December 31	September 30	June 30
Revenue	45,350	304,458	111,705	35,733
Working Capital/(Deficit)	(1,896,761)	(1,325,805)	(1,029,176)	(744,463)
Expenses	679,080	683,777	729,969	859,347
Net Loss	(633,730)	(379,319)	(618,264)	(823,615)
EBITDA	(518,586)	(269,598)	(511,544)	(681,644)
Net Loss (per Share)	(0.002)	(0.001)	(0.002)	(0.002)

	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)
EBITDA	(656,590)	(570,316)	(534,791)	(1,268,779)
Net Loss (per Share)	(0.002)	(0.002)	(0.002)	(0.005)

RESULTS OF OPERATIONS

Comparison of the three month periods ended March 31, 2016 and March 31, 2015

The following commentary compares the unaudited condensed interim consolidated financial results for the three month periods ended March 31, 2016 and March 31, 2015.

The Company sustained a loss of \$633,730 for the three-month period ended March 31, 2016 vs. a loss of \$782,522 for the same period ended March 31, 2015. 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.

Comparison of the three month periods ended March 31, 2016 and March 31, 2015
(Cont'd)

Revenues:

Three months ended March 31,				
	2016		2015	Variance
Total Revenues	45,350		46,758	(1,408)
STAR-M.M.I.™	40,850		36,414	4,436
Star ISMS-Lite	4,500		10,344	(5,844)

Revenues for the three-month period ending March 31, 2016 have decreased by \$1,408 over the same period in 2015.

STAR-M.M.I.™ sales have accounted for the majority of the increase over 2016. The program started generating consistent revenues in September of 2014. MMI sales accounted for 96% of the revenues for the quarter ended March 31, 2016. With F2014 being the first year of the program there was a backlog of repairs that were done in the Dec 2014 quarter whereas in F2016 repair quantities have become more normalized on a monthly basis.

STAR-ISMS® Lite revenues in F2016 have decreased over F2015 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 March 31,				
	2016		2015	Variance
Total Cost of Sales	25,905		26,680	(775)

Cost of Sales for the quarter ended March 31, 2016 now includes the STAR-M.M.I.™ program. The other components are the costs associated with the ISMS-Lite program.

General and Administrative:

Three months ended March 31,				
	2016		2015	Variance
Total G&A expenses	250,811		409,361	(158,550)
Accounting fees	21,210		21,000	210
Bank charges & interest	8,298		25,772	(17,474)
Board and Committee fees	29,299		44,299	(15,000)
Insurance	29,040		30,022	(982)
Other	22,067		86,441	(64,374)
Professional fees	-		2,817	(2,817)
Rent	75,605		76,010	(405)
Wages	65,292		123,000	(57,708)

Comparison of the periods ended March 31, 2016 and March 31, 2015 (Cont'd)

Board and Committee fees are down in this quarter as the Company has one less director.

Insurance costs have remained constant this quarter over 2015 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.

Wage expense has decreased in this quarter 2016 over 2015 due to a salary decrease for the C.E.O. whose compensation for 2016 is based on a percentage of total sales.

Rent expense has decreased in 2015 as the Company has reduced the space at its Toronto office thereby decreasing the monthly costs. Rent at its Montreal office has remained constant in this quarter.

Professional fees have dropped in this quarter as the Company has not expended any money on legal fees in this quarter.

Other expenses have decreased in this quarter over 2015. The decreases were minimal in amount and spread amongst various accounts.

Marketing and Promotion

Three months ended March 31,				
	2016		2015	Variance
Total M&P expenses	69,415		94,678	(25,263)
Consultant costs	50,000		30,250	19,750
Investor relations	15,000		30,000	(15,000)
Salaries	-		28,750	(28,750)
Travel costs	4,415		5,678	(1,263)

Marketing and promotion costs have decreased this quarter over 2015.

Consulting costs are up this quarter.

Salaries are down as the Company released one of its sales staff in Sept 2015.

Investor relations costs are down in 2016 as the Company only had one IR firm.

Comparison of the periods ended March 31, 2016 and March 31, 2015 (Cont'd)

Research and Development:

Three months ended March 31,				
	2016		2015	Variance
Total R&D expenses	300,754		291,193	9,561
Amortization expense	83,524		108,979	(25,455)
IT costs	5,250		5,250	-
R&D costs	15,325		18,761	(3,436)
Travel costs	-		2,698	(2,698)
Wages	196,655		155,505	41,150

R&D expenses have decreased in the period ended March 31, 2016 over the same period of 2015.

Amortization expense has decreased due to test equipment being almost fully amortized which is now being offset by the GUI which has started being amortized by the Company as of Q1.

Comparison of the nine month periods ended March 31, 2016 and March 31, 2015

The following commentary compares the unaudited condensed interim consolidated financial results for the nine month periods ended March 31, 2016 and March 31, 2015.

The Company sustained a loss of \$1,631,313 for the nine-month period ended March 31, 2016 vs. a loss of \$2,169,799 for the same period ended March 31, 2015. The decrease in the losses are due to overall 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 months ended March 31,				
	2016		2015	Variance
Total Revenues	461,513		712,695	(251,182)
STAR ISMS ®	-		32,208	(32,208)
STAR-M.M.I.™	447,879		646,035	(198,156)
Star ISMS®-Lite	13,634		32,686	(19,052)
Other	-		1,766	(1,766)

Revenues for 2016 have decreased by \$251,182 over 2015.

Comparison of the nine month periods ended March 31, 2016 and March 31, 2015
(Cont'd)

STAR-M.M.I.™ sales account for the majority of the Company's revenue. The program started generating consistent revenues in September of 2014. MMI sales accounted for 96% of the revenues for the quarter ended March 31, 2016. Sales for MMI dropped by \$198,156 in this quarter.

With F2015 being the first year of the program there was a backlog of repairs that were done and shipped in the December 2014 quarter whereas the F2016 repair quantities have become more normalized month over month.

STAR- ISMS® Lite revenues have decreased over 2015 levels due to customers scaling back on flights using the ISMS-Lite box as their mission with the United Nations is now winding down.

Cost of Sales:

Nine months ended March 31,				
	2016		2015	Variance
Total Cost of Sales	182,697		314,052	(131,355)

Cost of Sales for F2016 and F2015 now include the STAR-M.M.I.™ program. The other components are the costs associated with the ISMS-Lite program.

General and Administrative:

Nine months ended March 31,				
	2016		2015	Variance
Total G&A expenses	760,412		1,083,229	(322,817)
Accounting fees	63,210		63,000	210
Bank charges & interest	8,665		30,960	(22,295)
Board and Committee fees	103,898		99,898	4,000
Insurance	90,563		84,107	6,456
Other	80,942		161,762	(80,820)
Professional fees	11,896		71,451	(59,555)
Rent	156,819		201,276	(44,457)
Wages	244,419		370,775	(126,356)

Board and Committee fees are up as the Company has one more director in this period of 2016 than in 2015.

Insurance costs have remained constant this period over 2015 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 nine month periods ended March 31, 2016 and March 31, 2015
(Cont'd)

General and Administrative (Cont'd)

Wage expense has decreased in this quarter 2016 over 2015 due to a salary decrease for the C.E.O. whose compensation for 2016 is based on a percentage of total sales.

Rent expense has decreased in 2016 as the Company has reduced the space at its Toronto office thereby decreasing the monthly costs. Rent at its Montreal office has remained constant in this period.

Professional fees have dropped in this period as the Company has not expended any money on legal fees in this fiscal year. This resulted in a \$59,555 decrease.

Other expenses have decreased in F2016 over F2015. The decreases were spread amongst various accounts.

Marketing and Promotion

Nine months ended March 31,				
	2016		2015	Variance
Total M&P expenses	236,854		373,328	(136,474)
Consultant costs	110,108		157,035	(46,927)
Investor relations	60,000		81,000	(21,000)
Other	-		7,932	(7,932)
Salaries	28,750		86,250	(57,500)
Travel costs	37,996		41,111	(3,115)

Marketing and promotion costs have decreased significantly this period over 2015 due to the Company focusing its efforts on specific projects.

Consulting costs are down by \$46,927 as the Company has scaled back on the number of consultants it now uses.

Salaries are down as the Company released one of its sales staff in Sept 2015.

Investor relations costs are down in 2015 as the Company only has one IR firm in F2016.

Travel costs decreased marginally in this period over F2015.

Comparison of the nine month periods ended March 31, 2016 and March 31, 2015
(Cont'd)

Research and Development:

Nine months ended March 31,				
	2016		2015	Variance
Total R&D expenses	835,231		1,042,973	(207,742)
Amortization expense	248,904		331,950	(83,046)
IT costs	16,650		17,249	(599)
R&D costs	27,842		23,713	4,129
Travel costs	7,500		7,217	283
Wages	534,335		662,844	(128,509)

R&D expenses have decreased by \$207,742 for the nine months ended March 31, 2016 over the same period of 2015.

Amortization expense has decreased due to test equipment being almost fully amortized which is now being offset by the GUI which has started being amortized by the Company as of Q1.

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

Wages have decreased to staffing reductions and salary cuts for both the STAR-M.M.I.™ 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. As at March 31, 2016 the Company held \$2,424 (June 30, 2015 - \$183) of cash in US dollars, as well the Company had \$19,718 (June 30, 2015 - \$66,259) in accounts receivable that are in US dollars. As at March 31, 2016 the Company had \$42,712 (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 \$230 impact on profit and loss.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash indebtedness of \$91,253 at March 31, 2016 compared to a cash indebtedness balance of \$43,290 at June 30, 2015.

The Company has a working capital deficiency of \$1,896,761 at March 31, 2016 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, loans payable and an increase in accounts payables and accrued liabilities.

The Company will need more funding through private placements or other financing options to sustain operations until revenues from the STAR-M.M.I.™ 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 a private placement in April 2016 in the amount of \$954,040. As a result of these private placements, the Company was able to reduce its outstanding current liabilities by \$265,750.

The Company continues to look at ways to reduce its monthly burden to aid it in achieving positive monthly cash flow and is contemplating further staffing reductions and overhead cuts.

The Company borrowed \$200,000 from a private investor to meet its current and future working requirements in August 2014. This loan was scheduled for repayment in November 2015. The loan has not been repaid and has started to accrue interest at 18% per annum in accordance with the terms of the loan.

STAR-M.M.I.™ revenue for fiscal 2016 to date, including current sales booked and purchase orders already received totals \$882,000. The Company will not meet its estimated target of \$1.8 million in MMI sales for fiscal 2016 due to administrative and contract delays by one of its major customers.

For the period ending March 31, 2016, cash flow used in operating activities was \$714,392 as compared to \$1,221,694 at March 31, 2015. The Company's average monthly cash burn remains consistent. Management expects to further realign operations to reduce the monthly burn rate until STAR-M.M.I.™ 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

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. ®, STAR-TTT™, STAR *V-trk*™ and STAR-M.M.I.™ products 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 March 31, 2016 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	357,425,892
Share Purchase Warrants	137,165,051 (exercise prices ranging from \$0.06 cents to \$0.15)
Stock Options	9,952,900 (exercise prices ranging from \$0.05 to \$0.20 with expiry dates up to March 1, 2021 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 March 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, and monthly compensation accrued for its directors and committee chairpersons that has 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/Human Resources committees. Chairpersons are remunerated at the following rates; Audit Chairman - \$2,000 per month accrued, Compensation/Corporate Governance Chairman - \$1,000 per month paid, Strategic Planning / 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 cessation of the employment of the CEO by 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. It is expected that this waiver will be extended to June 30, 2017. The agreement currently provides that up to \$180,000 could be paid towards the short-term portion of the loan within the fiscal year 2016 and that the balance will be paid subsequent to fiscal 2016.

RELATED PARTY TRANSACTIONS (Cont'd)

The amount due to related parties as of March 31, 2016 is \$1,906,428 (June 30, 2015 - \$1,628,345) and is comprised of the following,

	2016	2015
Due to Directors	\$ 79,000	\$ 43,599
Due to Committee Chairpersons	23,000	4,000
Due to Chief Executive Officer	1,636,116	1,505,369
Due to Chief Operating Officer	145,677	75,377
Due to Chief Financial Officer	22,635	-
Total at March 31, 2016	\$1,906,428	\$1,628,345

The Company also owes \$29,917 (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 March 31, 2016 is \$417,769 (March 31, 2015 - \$425,379). This amount in general and administrative expense represents fees paid and accrued to directors and officers of the Company;

	2016	2015
Chief Executive Officer	\$ 53,801	\$ 211,500
Chief Operating Officer	138,500	-
Chief Financial Officer	63,210	63,000
Board of Director fees	64,000	62,000
Committee Chairperson fees	39,898	37,898
Interest on loan to Chief Executive Officer	58,360	50,981
Total at March 31, 2016	\$ 417,769	\$ 425,379

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

(a) The Company announced that on April 13, 2016 it closed its previously announced non-brokered private placement, having issued 31,801,333 units of the Company (the "Units") at a price per Unit of \$0.03 for gross proceeds of \$954,040. Each Unit consisted of one common share in the capital of the Company and one warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Corporation at seven (\$0.07) cents per warrant exercised. The warrants are exercisable during the three (3) year period from the date of issue.

All securities issued in the Offering and any common shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance. Any common shares issued as the result of conversion of warrants are subject to the same hold period.

The net proceeds of the placement will be used for research and development, marketing and corporate overhead. In addition, Star has agreed to pay finder's fees by way of Units in the amount \$83,379. The price was reserved with the TSX-V.

(b) On May 3, 2016 the Company announced that it had signed a five (5) year contract for the purchase of the STAR-A.D.S. ® solution for installation on an Airbus wide bodied aircraft. The purchaser is an undisclosed Middle East VVIP jet operator. The Company is advised that the operator's approach is to add the STAR-A.D.S. ® System across their entire fleet of aircraft after this first implementation. The solution will provide worldwide tracking, in-flight monitoring and analysis of critical parameters and will provide real-time operations and maintenance data flow for action and further analysis on the ground.

(c) On May 4, 2016 the Company announced that it had entered into a Distribution Agreement with KF Aerospace (formerly Kelowna Flightcraft Ltd. Headquartered in British Columbia's Okanagan Valley, KF is privately owned and one of the most comprehensive aviation service providers in Canada, with expertise in engineering, avionics and structures modifications. With 750 highly skilled employees across Canada, the Company provides air cargo operations, aircraft leasing services, heavy maintenance and modifications, and pilot training. KFL Defense Programs trains 80% of Canada's Royal Canadian Air Force pilot's in Multi-Engine and Rotary Wing, and oversees all aspects of training and facilities management at a location in Portage La Prairie, MB.

(d) On May 13, 2016 Star announced that it had applied to the TSX Venture Exchange (the "Exchange") to extend the term of and reprice 10,030,000 common share purchase warrants (the "Warrants") issued pursuant to a private placement announced May 6, 2013. The Warrants, originally due to expire May 15, 2015 carried a previously amended exercise price of \$0.12.

As Exchange approval has been received, each Warrant will now entitle the holder thereof to purchase one common share of Star at an exercise price of \$0.09. The new expiry date of the Warrants will be May 15, 2018.

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-M.M.I.™ 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-M.M.I.™ Division activities has been relatively stable on an annualized basis but can vary throughout the year, as has been noted earlier in this MD&A.

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 now offers 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-M.M.I.™ 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.

The Company's target clients for the flagship STAR-A.D.S.® System are mainly commercial airlines. As is the case with high technology sales to any large commercial operation operating on slim margins in a competitive environment, the sales cycle is generally a lengthy one, involving multiple varied sales presentations to several different departments and stakeholders, including engineering, finance, operations and the executive. The target clients for STAR-T.T.T.™, STAR-V-*trk*™ and STAR-M.M.I.™ represent a much larger group which should require a shorter sales and installation cycle.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

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, while maintaining its existing initiatives overseas.

In order to maintain and enhance its current competitive position, 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, as has work on Phase 2 enhancements to the GUI.

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 and provides excellent service, this is unfortunately not always the case with all regulators, which can lead to unanticipated delays. 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 and other financing tools. There can be no assurance that management will be successful in raising the necessary capital required to fund ongoing 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 Certificate 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 nine-month period ended March 31, 2016.