Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three-month periods ended September 30, 2016 and September 30, 2015

Date – November 29, 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 periods ended September 30, 2016 and September 30, 2015 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2016 and June 30, 2015. 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 29, 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-T.T..T™, STAR-*Vtrk ™* and STAR-M.M.I™ products and variants, either directly or through joint arrangements in the Middle East, South East Asia and developing countries, focusing on airlines, operators and avionics integrators. The Company is of the opinion that these areas 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.

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 publicly 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 monitoring, data analysis, aircraft health and flight operation status, and real-time position (tracking) information, all of which contribute to aviation safety, reduction of fuel and maintenance costs, reduction of carbon footprint, and provides the opportunity for enhanced return on investment for airlines.

The STAR-ISMS® G2 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.) as well as other certifications for previous applications to older aircraft. 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. It is also developing the third generation (“G3”) computer that will combine, in one unit, several updated air-to-ground communications means, providing maximum flexibility to the users.

GENERAL DEVELOPMENT OF THE BUSINESS (Cont'd)

The Company's purchase of 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, has become 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-T.T.T.™ / 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 Our Chinese partner, Chengdu Spaceon Technology Ltd. ("Spaceon"),has started the testing in China of the STAR-T.T.T.™, with completion of testing now set for the very end of 2016. Star will carry on subsequent testing in Canada for certification in the Western world. The product is now expected to be ready for the Chinese market in the first half of 2017, 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 for prototype demonstrations at the end of 2016, for first offers beginning 2017 and entry into market by mid-2017.

OVERVIEW OF ACTIVITIES AND STAR PRODUCTS (Cont'd)

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 the cockpits of fixed wing aircraft and helicopters for both civilian and military applications.

STAR-M.M.I.™ has full capability, in-house, to design, manufacture and offer customer support. Its products have already been delivered to various major system avionics integrators worldwide, all of them appearing in 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 G3 version for specific new customer applications. The integration of the STAR-M.M.I.™ division has allowed Star to control its supply chain, complementing its program and engineering capabilities while adding to its portfolio of products.

OPERATIONAL MILESTONE UPDATES

During the three months ended September 30, 2016 , the Company made the following continued progress towards achieving its strategic growth objectives:

- STAR and IRTS (an established manufacturer and supplier of flat panel displays and ruggedized computers, located in Europe), have an agreement to expand their existing business relationship beyond on-board ruggedized displays to include Star's STAR-A.D.S.® System activities. Now Star has completed its approach of the European market through an agreement with a Maintenance and Repair Operation company based in France and in Switzerland. The MRO will bring the logistics and repair capabilities already recognized in the commercial avionics field in Europe, with an extension to the Middle East through the MRO rapid expansion. Star has delivered STAR-M.M.I.™ display demo units in order to support their presentation efforts.

- Star is 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 has responded to Requests for Information through this OEM.

- In connection with Star's established business relationship with KF Aerospace in Calgary, ("KFA") as a Canadian and North American distributor for STAR-A.D.S. ®, STAR-T.T.T.™ and STAR-V-trk™, Star has delivered to KFA a STAR-T.T.T.™ prototype in order to support their presentation efforts

OPERATIONAL MILESTONE UPDATES (Cont'd)

- 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.

    - Spaceon intends to implement a Chinese data management center for its activities in 2017. STAR will offer the STAR-T.T.T.™ equipment and solution, along with 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 today already meets the ICAO recommendations. Further presentations to ICAO and IATA in Montreal have been organized.

- Star concluded a STAR-A.D.S.® system sale with a VVIP operator in the Middle East in 2016 The installation on the first aircraft in their fleet is being jointly prepared for early 2017.

- Star has concluded a cooperation agreement with ISONEO, a leading European engineering and development corporation, recently established in Canada, to jointly conduct new R&D projects specifically in the domains of Medevac applications of the STAR- A.D.S.® system.

- Star had logged a new customer in Europe for STAR-M.M.I.™ display's and delivered the first unit in November 2016.

- Star has received orders for maintenance services of LCD displays form Northrop Grumman Italy.

OPERATIONAL MILESTONE UPDATES (Cont'd)

- Star and its major STAR-M.M.I.™ customer have entered into a maintenance, repair and overhaul agreement which extends their relationship to at least 2020 for specific displays for the P3 maritime patrol aircraft.

OUTLOOK - STRATEGIC OBJECTIVES FOR F2017 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
    - Finalizing the qualification and certification of the STAR V-*trk* ™ for small platforms and for ground transport, and bringing it into the market.
    - Continuing to develop and exploit new applications of existing Star technology in the areas of land and marine transportation.
    - Working closely in support of the efforts of its distributors specifically in Europe, North America, and the Middle-East.

- Further developing the capability and marketability of its data management services through further value-added services, either in-house or in a tight partnership, 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 analysis of data.

- In conjunction with Stars' strategic partners, 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.

OUTLOOK - STRATEGIC OBJECTIVES FOR 2017 AND BEYOND (Cont'd)

- In 2017, developing 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.

- Continuing 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, SATORI, KFA) 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-T.T.T.™, 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 extension of 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, such as the use of latest LCD available matrices, and the potential of OLED in an aerospace environment.

    - Increase of STAR-M.M.I.™ capabilities for obsolescence replacement solutions to the market (defense and commercial). STAR-M.M.I.™ is proposing, for instance, to replace legacy CRT based instruments in displays with LCD based specialized modules (less power requirement, less weight, increased life time).

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at September 30, 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 improved its financial position by $1.216 million from private placements during fiscal 2016. 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.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

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. Some critical data had to be obtained directly from the aircraft manufacturer to complete the analysis services. This data has been now been received by the Company and the problems are being corrected.

The company signed with a Middle East VVIP operator for STAR-A.D.S. ® Systems on their fleet of VIP aircraft. The first installation on a Wide-body aircraft of their fleet isin the planning stage and is projected to take place in early 2017.

The Company's STAR-M.M.I.™ Division ("Man Machine Interface") business commenced operations in April 2014. The division started out generating revenues of over $700k in FY2015 but then saw a drop in FY2016 due to contract complications occurring between Star's major customer and the U.S. government. The outcome of these discussions has been the negotiation of a multiple year repair and maintenance framework agreement with Star's customer to cover activities up to 2020.This agreement is under signature at the US Navy (end customer) level.

STAR-M.M.I.™ revenue for the three-month period ended September 30, 2016 is $116,730. The Company hopes to get back to regular sales levels with their customer after this delay.

Accounts receivable are collected on a regular basis.

Assets are down mainly due to impairment charges taken against the intangible assets and inventory at the June 30, 2016.

During the year ended June 30, 2016, the Company recorded an impairment loss of $616,634 on the MMI technology and patents acquired as part of an asset acquisition on April 1, 2014 from Luxell Technologies and $264,810 on the GUI system. The impairment loss on the MMI technology and patents was recognized as a result of the decrease in sales of MMI related products caused by the reduction in the client base. This resulted in the Company's revenue coming from only one customer. The impairment loss on the GUI system (which forms an integral part of the STAR-A.D.S.® package) was recognized because the expected results of sales of the STAR-A.D.S.® did not meet management's expectations in generating the expected future benefits.

During the year ended June 30, 2016, the Company recognized an impairment loss of $110,318 on the STAR-A.D.S. ® related inventory and an impairment loss of $88,195 on the STAR-M.M.I.™ related inventory. These charges were recognized due to obsolescence of some of the inventory and a lack of sales for the STAR-A.D.S.® program.

In addition, the decrease in cash (used in operations), reduced inventory levels and normal depreciation taken throughout the year on PPE and other assets.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

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's only long-term debt is to the CEO and Chairman of the Company at September 30, 2016.

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	2016	2016	2015
Period Ending	September 30	June 30	March 31	December 31
Revenue	116,730	2,851	45,350	304,458
Working Capital/(Deficit)	(2,250,628)	(1,866,243)	(1,896,761)	(1,325,805)
Expenses	552,924	1,830,310	679,080	683,777
Net Loss	(436,194)	(1,827,459)	(633,730)	(379,319)
EBITDA	(384,264)	(1,775,175)	(518,586)	(269,598)
Net Loss (per Share)	(0.001)	(0.005)	(0.002)	(0.001)

	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)

RESULTS OF OPERATIONS

Comparison of the three-month periods ended September 30, 2016 and September 30, 2015

The following commentary compares the consolidated financial results for the three-month periods ended September 30, 2016 and September 30, 2015.

RESULTS OF OPERATIONS (Cont'd)
Comparison of the periods ended September 30, 2016 and September 30, 2015 (Cont'd)

The Company sustained a loss of $436,194 for the period ended September 30, 2016 vs. a loss of $618,264 for the period ended September 30, 2015. The decrease in loss by $182,070 is due to 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,		
	2016	**2015**	**Variance**
Total Revenues	**116,730**	**111,705**	**5,025**
Star MMI	**116,730**	**107,213**	**9,517**
Star TTT	**-**	**4,492**	**(4,492)**
Other	**-**	**-**	**-**

Revenues for the period ending September 30, 2016 have increased by $5,025 over the same period of 2015.

The STAR-M.M.I.™ sales accounts for the majority of the decrease over 2016. The program has generated consistent revenues since the first sale in September of 2014. However, in January 2016, the Company's largest customer put a freeze on repair shipments to Star as it renegotiated its vendor contracts. Star was operating on a year to year contract and now was being asked to enter in to a five-year contract. This meant supplying costing for the next five years. Since Star is only one of 105 vendors associated with this program, the time for all vendors to resubmit quotes put a stranglehold on repair shipments to Star. The Company has only started to again receive repair orders for the MMI program. The Company received a total of 6 orders in August and September 2016. There were 2 more orders shipped in October and a further 6 are waiting approval from Star's customer. The Company estimates that this delay cost it upwards of $365,000 in total MMI sales for fiscal 2016. The MMI program accounted for 100% of the revenues for the period ended September 30, 2016.

STAR-ISMS® Lite revenues are Nil for this quarter compared to $4,492 in the same period last year. STAR-ISMS® Lite customers have now wound down their contracts using the ISMS-Lite box as their mission with the United Nations is finished. The Company is re-evaluating whether to continue to offer this program in the future to customers as the costs do not justify starting this program back up at the moment.

Cost of Inventory Consumed:

	Three months ended September 30,		
	2016	**2015**	**Variance**
Total Cost of Inventory Consumed	**17,126**	**55,531**	**(38,405)**

RESULTS OF OPERATIONS (Cont'd)

Comparison of the periods ended September 30, 2016 and September 30, 2015 (Cont'd)

Cost of Inventory Consumed (Cont'd)

Cost of inventory consumed for the year ended September 30, 2016 declined over 2015 with the STAR-M.M.I.™ program. Efficiencies in the parts components were responsible for the drop.

General and Administrative:

	Three months ended September 30,		
	2016	**2015**	**Variance**
Total G&A expenses	**257,540**	**232,227**	**25,313**
Accounting fees	**14,420**	**21,000**	**(6,580)**
Bank charges & interest	**2,425**	**1,334**	**1,091**
Board and Committee fees	**27,299**	**39,299**	**(12,000)**
Insurance	**23,949**	**24,745**	**(796)**
Other	**12,125**	**26,367**	**(14,242)**
Rent	**51,090**	**39,350**	**11,740**
Wages	**126,232**	**80,132**	**46,100**

Board and Committee fees are down this year as the Company had one less director than what it had in 2015.

Insurance costs have remained relatively constant from last year to this one. The Company was able to negotiate lower rates for its commercial and liability insurance. Group insurance costs are the largest component of insurance costs and have remained on par from 2015 due to the Company's insurance carrier being able to offer only a small increase with a decline in staff throughout the year contributing to holding the costs down as well.

Wage expense increased this quarter over 2015 as salary has once again started being accrued to CEO who voluntarily accepted no salary in 2015. His compensation package for 2015-2016 was based on a percentage of total STAR-M.M.I.™ sales.

Rent expense has increased in Q1 TMI costs have been booked on a quarterly basis. The Company's landlord has experienced a large increase in TMI costs and is recovering them on a quarterly basis so as to lessen the burden on its tenants. Rent at its Montreal office has decreased in this quarter.

Other expenses have decreased this quarter over 2015. The decreases were small in amount and spread amongst the various other accounts comprising G&A costs.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the periods ended September 30, 2016 and September 30, 2015 (Cont'd)

Marketing and Promotion

	Three months ended September 30, 2016	2015	Variance
Total M&P expenses	**26,500**	**121,859**	**(95,359)**
Consultant costs	**26,500**	**37,607**	**(11,107)**
Investor relations	**-**	**30,000**	**(30,000)**
Salaries	**-**	**28,750**	**(28,750)**
Travel costs	**-**	**25,502**	**(25,502)**

Marketing and promotion costs have decreased this year substantially over 2015.

Consulting costs dropped as the Company continues to cut down on the use of consultants when it can.

The decrease in salaries is due to fact that the Company released one of its sales staff in Sept 2015 and he was not replaced.

Research and Development:

	Periods ended September 30, 2016	2015	Variance
Total R&D expenses	**179,908**	**301,695**	**(121,787)**
Amortization expense	**15,844**	**82,691**	**(66,847)**
IT costs	**5,250**	**5,250**	**-**
R&D costs	**823**	**3,802**	**(2,979)**
Wages	**157,991**	**209,952**	**(51,961)**

R&D expenses have decreased this quarter over the same period of 2015.

Amortization expense has decreased due to test equipment being almost fully amortized and other assets being deemed impaired and subsequently written off at June 30, 2016.

Wages dropped significantly as the Company continues to streamline its operations and scale back work on projects which do not provide solid returns to the Company. This has led to a decreased workforce over 2016.

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 Sept 30, 2016 the Company held $45,520 (June 30, 2016 $2,424) of cash in US dollars, as well the Company had $4,100 (June 30, 2016 - $4,100) in accounts receivable that are in US dollars. As at Sept 30, 2016 the Company had $56,074 (June 30, 2016 - $60,102) in accounts payable and accrued liabilities that are in US dollars. A 5% change in the foreign exchange rate would have a $1,150 impact on profit and loss.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash indebtedness of $105,149 at September 30, 2016 compared to a cash indebtedness balance of $59,464 at June 30, 2016.

The Company has a working capital deficiency of $2,250,628 at September 30, 2016 compared to a working capital deficiency of $1,866,243 at June 30, 2016. 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 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 in August 2015 from a private investor to meet its current and future working capital requirements. 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 was $447,879. The Company did 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 which delayed repair orders being shipped to Star. Units have just recently started being shipped to Star as the contract delays have been rectified on the customer's end. To date, Star has received 8 orders with a further 6 waiting on approval.

For the period ending September 30, 2016, cash flow used in operating activities was $48,496 as compared to $352,826 at September 30, 2015. The Company's average monthly cash burn continues to drop as the Company looks for further ways to reduce costs until revenues have increased adequately.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

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 September 30, 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	390,894,805
Share Purchase Warrants	165,839,971 (exercise prices ranging from $0.06 cents to $0.12)
Stock Options	10,672,900 (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 September 30, 2016 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.

Presentation of Financial Statements – IAS 1

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

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. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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 beginning on or after January 1, 2018, and is available for early adoption. The Company has not yet assessed the impact of adoption of IFRS 15, and does not intend to early adopt IFRS 15 in its consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

Future IFRS changes

Leases – IFRS 16

Leases (‘IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

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 on intangible assets; 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.

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.

RELATED PARTY TRANSACTIONS (Cont'd)

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 termination of the CEO from the Company.

The Company had an employment agreement in place with its CEO and Chairman of the Board regarding salary forgiveness for the year ended June 30, 2016. In lieu of salary for the year ended June 30, 2016, the CEO received compensation based on ten-percent of total revenue related to repairs and maintenance of STAR-MMI which amounted to $44,801.

The amount due to related parties as of Sept 30, 2016 is $2,159,811 (June 30, 2016 - $1,949,364) and is comprised of the following:

	2016	2015
Due to Directors	**$ 127,000**	$ 115,396
Due to Committee Chairpersons	**38,845**	26,000
Due to Chief Executive Officer [a]	**1,834,125**	1,670,012
Due to Chief Operating Officer	**143,567**	126,677
Due to Chief Financial Officer	**16,274**	11,279
Total at September 30, 2016	**$2,159,811**	$1,949,364

(a) $1,581,420 of the balance bears interest at prime + 2% per annum; $22,705 of the balance bears no interest; and $230,000 of the balance bears interest at 8% per annum. All amounts are unsecured and have no fixed terms of repayment other than the $230,000, which is due June 10, 2017.

RELATED PARTY TRANSACTIONS (Cont'd)

The Company has a loan agreement in place with the CEO dated September 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 voluntarily waived his right to demand repayment on the long-term amounts due to him by the Company prior to September 30, 2017. Of the $1,581,420 balance, the CEO has waived his right to demand repayment of $1,325,369 of the balance prior to June 30, 2017. The agreement provides that up to $180,000 could be paid towards the short-term portion of the loan within the fiscal year 2017. The balance will be paid subsequent to fiscal 2017. As at September 30, 2016, the balance drawn on this loan is $230,000 and is included in the current portion of due to related parties.

The Company also owes $22,705 (2016 - $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 consolidated statement of comprehensive loss as of September 30, 2016 is $178,832 (2015 – $140,049). This amount in general and administrative expense represents fees paid and accrued to directors and officers of the Company:

	2016	2015
Chief Executive Officer	**$ 70,500**	$ 13,721
Chief Operating Officer	**46,500**	42,000
Chief Financial Officer	**14,420**	21,000
Board of Director fees	**18,000**	24,000
Committee Chairperson fees	**9,299**	15,299
Interest on loan to Chief Executive Officer	**20,113**	24,029
Total for the period	**$ 178,832**	$ 140,049

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 November 16, 2016, the Company was advised by one of its directors, Mr. Pierre Jeanniot, that he was unfortunately obliged to resign as a director for health reasons. In addition to his service as a director, Mr. Jeanniot also served for several years on the Company's Strategic Advisory Committee. His extensive experience in the aviation world and his wise counsel will be missed. A future return to the Board is possible.

A Cease Trade Order ("CTO") was issued by the Ontario Securities Commission on November 3, 2016 for delayed filing of periodic disclosure documents. The documents were subsequently filed by the Company and the CTO was revoked November 7, 2016.

SUBSEQUENT EVENTS (Cont'd)

In October, 2016, the Company, amongst others, was served with a Statement of Claim with respect to assets purchased from Luxell Quebec Technologies Inc. in 2014. The Company views the allegations in the Statement of Claim as being without foundation or basis in fact and has filed a Statement of Defense in the matter.

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 and does 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.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

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.

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 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 yet unidentified 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.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

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 period ended September 30, 2016.