

Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three and nine month periods ended March 31, 2019 and March 31, 2018

Date – May 30, 2019

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, 2019 and March 31, 2018 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2018 and June 30, 2017. 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, 2019.

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-ISAMM™, STAR-LSAMM™, and STAR M.M.I.™ Division products and variants, either directly or through joint arrangements in North America, the Middle East, South East Asia and developing countries. The Company focusses on airlines, MEDEVAC operators (both land and air) and on avionics integrators. The Company is of the opinion that these geographical areas represent very significant current and future growth potential in terms of passenger miles flown and therefore, demand from operators for technology which will offer enhanced safety and efficiency to their operations. In addition, advances in emergency medical transportation are rapidly evolving and the Company is committed to being a significant part of that evolution.

However, the Company accepts the fact that pursuing opportunities in areas outside North America and Europe 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 is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “SNA. It is also listed on the OTCQB under the symbol “SNAVF”

Star Navigation Systems Group Ltd. is a leading-edge Canadian publicly owned technology company. It focuses on providing aerospace and transportation data services solutions along with hardware and software platforms that assist aviation and other transport related operators worldwide. Headquartered in Brampton, 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 usage and maintenance costs, reduction of carbon footprint, and provides the opportunity for enhanced return on investment for airlines.

The STAR-ISMS® G3 computer was 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, A340, A310, 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. The third generation (“G3”) computer combines, in one unit, several updated air-to-ground communications means. In particular, the G3 unit adds the ability to switch from satellite communications to GSM communications, providing maximum flexibility and cost-effectiveness to the users.

GENERAL DEVELOPMENT OF THE BUSINESS (Cont'd)

The STAR-M.M.I.[™] Division was created in April 2014. The Division repairs high performance flat panel displays for defence and commercial aviation industries and has been an important revenue generator within Star. STAR- M.M.I. [™] serves major avionics integrators and system manufacturers worldwide.

All operations of the Company are consolidated for accounting purposes and thus are not segregated by division.

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 airlines/operators with a cost effective, end to end solution, allowing the automated capture and delivery of the results of real-time, in-flight analysis of an agreed set of parameters. 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[™] / STAR-ISAMM[™]/ STAR-LSAMM[™]

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 three additional differentiated products coming online:

- Recognizing the requirement for a smaller and reduced version of the full STAR-A.D.S.® System, Star has introduced STAR-T.T.T.[™] (TALK, TRACK, TEXT), which will be utilized by small aircraft and land vehicles. Our Chinese partner, Chengdu Spaceon Technology Ltd. ("Spaceon"), has initiated the development in China of the STAR-T.T.T.[™] under STAR specifications. Star Navigation has designed the environment qualification tests for both the Chinese and the Canadian Authorities. STAR-T.T.T.[™] has potential applications for land vehicle applications as well.
- Star has 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-T.T.T.™ / STAR-V-trk™ / STAR-ISAMM™/ STAR-LSAMM™ - (Cont'd)

- The development of the STAR-ISAMM™ system is almost complete

The STAR-ISAMM™ System will bring to Helicopter and fixed-wing aircraft EMS services an advanced, multi-purpose platform. A variant of the STAR-A.D.S.® System, which is already certified in the commercial airline world, it collects, processes and channels patient information from the bio-medical monitors on-board to ground health professionals while the aircraft is in flight.

The capabilities of the system will greatly improve overall patient management and medical decision-making. The overall quality and efficiency of EMS services will be enhanced. The system has recently been show-cased to various interested parties in Canada. Final regulatory approvals are underway in both Canada and the U.S.A. and are targeted for June 2019. The STAR-ISAMM™ has already been subject to several proposals to interested parties in North America. One agreement has been signed with a Texas company and another is anticipated in early June.

The STAR-LSAMM™ is a variant of the STAR-ISAMM™ and addresses the specific requirements of ground ambulances. It has already been show-cased to some provincial operators in the US and in Canada. The proposal phase of the STAR-LSAMM™ has started.

STAR-M.M.I.™

The STAR-M.M.I.™ Division, 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 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.

OPERATIONAL MILESTONE UPDATES

During the period ended March 31, 2019, the Company made the following progress towards achieving its strategic growth objectives:

- Star and its major STAR-M.M.I.™ customer in the USA, have implemented and are working under their long-term maintenance agreement for specific displays for the P3 maritime patrol aircraft. The agreement covers activities up to 2021. Another U.S. based customer for the same product has generated additional business. A proposal has been accepted by a Japanese prospect for the development of an LCD based variant of a legacy multi-function control panel for helicopter use.

OPERATIONAL MILESTONE UPDATES (Cont'd)

- Spaceon has developed and will manufacture the STAR-T.T.T.TM under Star specifications. Spaceon, in the meantime, is working on its efforts to market, sell and support the STAR-T.T.T.TM.
- STAR has a cooperation and distribution agreement with Zhongllian Tiantong Space Technology (ZLT) in Tianjin China, to distribute and support the STAR- V-*trk*TM equipment, which is a spin-off under a smaller form factor of the STAR- A.D.S.®. The STAR- V-*trk*TM will better meet the requirements of small aircraft and helicopter operators, with less on-board real estate requirements. STAR is proceeding with the development and tests of the STAR- V-*trk*TM in Canada and will sell the equipment to ZLT for their marketing efforts in China. ZLT has started demonstrating the STAR- V-*trk*TM in China. STAR will pursue the STAR- V-*trk*TM marketing and sales in the rest of the world.
- Star has purchased a controlling interest in SOLUTIONS ISONEO INC, a leading European engineering and development corporation, recently established in Canada. The Company and SOLUTIONS ISONEO INC. have been jointly conducting new R&D projects, specifically in the domains of Medevac applications of the STAR- A.D.S.® System. Star has renamed the company STAR-ISONEO INC. and expects to more efficiently utilize ISONEO's experience and expertise. New offices have been opened in the TECHNOPARC area of Montreal.
- A consortium led by Bombardier Aerospace has been provided with a modified STAR- A.D.S.® System for a Government of Canada funded Research project that will check and analyze high altitude radiation levels during flights. The System has been installed on-board a flight test aircraft and has been successfully performing its data collection and analysis since late 2017. The study is feeding a subsequent European and Canadian research program in the same field. Both companies are demonstrating the flexibility and the adaptability of a STAR- A.D.S.® platform to accommodate various kinds of data. The first period of the data collection campaign was completed on the Bombardier G7500 flight test aircraft #3. The system is now transferred to another flight test aircraft from Bombardier for another data collection period that will continue until Q4 of 2019.
- The STAR- A.D.S. ® Gen 2 has passed all qualification tests for on-board use, and received certification from Transport Canada, and by the US Federal Aviation Administration ("FAA"). Subsequently, the dual certification has been validated by the Kingdom of Saudi Arabia and Gulf Civil Aviation Authorities ("GACA").
- Star is in final discussions to add two more aircraft (a Boeing 737 and Global Express Bus Jet) to their initial order of the Gulf VVIP.
- STAR- A.D.S. ® Gen 2 has been selected by ALMASRIA Universal Airlines to equip its fleet of 5 aircraft (Airbus A320 and Boeing B737) starting in 2019. Installation preparation has commenced.

OPERATIONAL MILESTONE UPDATES (Cont'd)

- Star MMI Division has received additional orders for maintenance services of LCD displays from a U.S. based maintenance provider for military equipment. These orders consist of trouble-shooting, repair and tests of legacy equipment that was designed and produced by Luxell Technologies, before Luxell's assets were purchased by STAR in 2014. Further to being listed as a possible supplier of displays and electronic systems at HAL, Star is working on presentations of capabilities to the interested Indian parties in the near future.
- Star has presented the STAR-ISAMM™ system, live, to potential prospects and to representatives of the National Research Council, government agencies and potential customers, in Montreal. The presentations included all of the already certified elements of the system and demonstrated the complete bio-data transmission link from a simulated patient with actual bio-monitors to the hospital workstation through Iridium satellite transmission and GSM.
- The National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) provides advice, connections, and funding to help Canadian small and medium-sized businesses increase their innovation capacity and take ideas to market. Star has presented its STAR-ISAMM™ and STAR-LSAMM™ planning for FY 2019-2020 to IRAP .
- Star has moved its Head Office and Operations Center to Brampton, Ontario. The new premises will offer the Company more efficient and economical premises and close access to Pearson International Airport.
- Star successfully attained AS 9100 Rev. "D" certification. The AS9100 Revision D Quality Management System includes updated requirements for Aviation, Space and Defense Organizations.

In December, shareholders at the Annual General Meeting of the Company, expanded the Board of Directors from three to five.

OUTLOOK - STRATEGIC OBJECTIVES FOR FY2019 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, the STAR-ISAMM™/ STAR-LSAMM™ Systems, products and services 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.

OUTLOOK - STRATEGIC OBJECTIVES FOR FY2019 AND BEYOND (Cont'd)

- Completing the Company's ISO 13485 Medical Certification as well as certification by Health Canada and the FDA in the U.S.A. while accelerating its discussions with first sales prospects after the successful live presentations in Montreal. Targeting prospects (Health organizations and MEDEVAC operators) in Quebec who operate specific aircraft and helicopters considered the most widely used ones.
 - Finalizing the qualification and Transport Canada certification of the STAR V-*trk*[™] for small platforms and for ground transport, to bring it into the market. There are three main geographical markets considered: Canada, China, and Europe.
 - Continuing to develop and exploit new applications of existing Star technology in the areas of land and marine transportation.
 - Developing its efforts in R&D with the provincial and federal authorities to quickly prepare evolutions and new applications of its lines of products in the aerospace field.
 - Working closely in support of the efforts of its distributors and rationalizing the distribution system.
- Further developing the capability and marketability of its data 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 STAR-ISAMM[™] and STAR-LSAMM[™] medical monitoring aspects of the STAR-ISMS[®] technology.
 - STAR is proposing a further R&D program to the Federal Government for FY subsequent to 2020, with additional capabilities in augmented reality. The objective is to lighten the on-board paramedic workload and to enhance and facilitate the decision-making process of the doctors on the ground.
 - In FY2019, continuing to develop additional STAR-M.M.I. [™] Division products (e.g. retrofits for commercial aircraft and helicopters in particular for military aircraft) and capabilities through distribution and support agreements with complementary companies.
 - Promoting its product lines at selected airshows and attending focused industry conferences in coordination with Star partners, to demonstrate Star's products and expand branding visibility.
 - Strengthening the depth of management through selected hiring and re-allocation of responsibilities.

OUTLOOK - STRATEGIC OBJECTIVES FOR FY2019 AND BEYOND (Cont'd)

- Implementation of the three-year R&D plan for the STAR-A.D.S.® System, STAR-T.T.T.™, Star *V-trk*™, STAR-ISAMM™/ STAR-LSAMM™ 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:
 - Development of specific new application services for the STAR-A.D.S.® System to offer to customers.
 - 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 or TEFL based instruments in displays with LCD based specialized modules (less power requirement, less weight, increased life-time, less obsolescence in the long run).

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at March 31, 2019

The Company completed several financing initiatives during FY 2018 and completed a further Equity raise in Sept of 2018 which raised \$2.105 million dollars. This equity raise along with warrant exercises executed by Shareholders in November 2018 will carry the Company into Q4 of 2019 and assist it in achieving its strategic goals.

The Company will continue to require debt and/or equity financing until it is able to generate sustainable revenues from operations on a consistent basis. The Company is looking at all available financing options. There can be no assurance that the Company will be successful in obtaining further financing.

The Company's STAR-M.M.I.™ Division ("Man Machine Interface") has generated the majority of revenues for the Company since April 2014. However, the Company has experienced large fluctuations in revenues from year to year since. Contract complications occurring between Star's major customer and the U.S. government were a problem.

Re-negotiation resulted in execution of a multiple year repair and maintenance agreement with Star's customer to cover activities up to the year 2021. STAR-M.M.I.™ revenue for the period-ended March 31, 2019 was \$77,796 vs. \$Nil in the same period of 2018. The Company is looking to a return to regular sales levels with this customer in FY2019 but there can be no guarantee of this as evidenced by FY2018 results.

Accounts receivable are collected on a regular basis. The balance of accounts receivables outstanding at March 31, 2019 is \$289,837.

General Financial Information at March 31, 2019 (Cont'd)

Assets have increased in this fiscal period from March 31, 2017 due to the change in cash position in September 2018.

Inventories have remained relatively at the same level as at year-end. Other assets are up marginally.

Capital and intangible assets have changed due to asset additions and normal depreciation and amortization charges taken in 2018.

Accounts payable and accrued liabilities continue to decrease as the Company now has an increased cash balance. Payroll remittances for FY2019 are current and the Company has paid down its payroll arrears to \$93,260 as of the date of this MD&A.

Due to Related party balances also decreased since March 31, 2019. The Company's only material debt continues to be the amount due to the CEO and Chairman of the Company which amounted to \$1,797,991 at March 31, 2019.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected 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 \$)

	2019	2018	2018	2018
Period Ending	March 31	December 31	September 30	June 30
Revenue	21,061	223,241	77,796	19,979
Working Capital/(Deficit)	(1,703,879)	(1,007,522)	(1,302,007)	(2,715,645)
Expenses	792,681	717,110	773,328	640,334
Net Loss	(771,620)	(493,869)	(695,532)	(620,355)
EBITDA	(742,075)	(464,357)	(664,889)	(638,695)
Net Loss (per Share)	(0.001)	(0.001)	(0.001)	(0.001)

	2018	2017	2017	2017
Period Ending	March 31	December 31	September 30	June 30
Revenue	150,588	-	4,520	110,242
Working Capital/(Deficit)	(2,801,729)	(2,454,496)	(2,017,089)	(4,603,856)
Expenses	507,923	613,572	919,023	833,500
Net Loss	(357,335)	(613,572)	(914,503)	(723,258)
EBITDA	(287,420)	(574,541)	(878,798)	(655,559)
Net Loss (per Share)	(0.001)	(0.001)	(0.002)	(0.002)

RESULTS OF OPERATIONS

Comparison of the three-month periods ended March 31, 2019 and March 31, 2018

The Company sustained a loss of \$771,620 for the three-month period ended March 31, 2019 vs. a loss of \$357,335 for the same period ended March 31, 2018. The increase in loss is due to changes in Revenues and increases in General & Administrative, Sales & Marketing and Research & Development costs.

Revenues:

	Three months ended March 31,		
	2019	2018	Variance
Total Revenues	21,061	150,588	(129,527)
Star ISMS	-	117,848	(117,848)
Star MMI	21,061	13,453	7,608
Other	-	19,287	(19,287)

Revenues for the period ending March 31, 2019 have decreased by \$129,527 over the same period of 2018.

In the quarter ending 2018 the Company billed Jepico for work done on the ADS program which accounts for the majority of the 2018 revenues.

There were minimal STAR-M.M.I.™ sales in this quarter. The program has generally generated consistent revenues since the first sale in September of 2014 but has struggled in FY2019 and recent years due to stoppages in programs that are beyond the control of the Company. The Company completed and billed several MMI projects in Q1 of FY2019.

Cost of Inventory Consumed:

	Three months ended March 31,		
	2019	2018	Variance
Total Cost of Inventory Consumed	8,264	3,608	4,656
Star ISMS	7,764	3,608	4,156
Star MMI	500	-	500

Cost of inventory consumed for the period-ended March 31, 2019 increased over 2018 because of sales generated in Q1 on the STAR-A.D.S.® program.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three-month periods ended March 31, 2019 and March 31, 2018 (Cont'd)

General and Administrative:

	Three months ended March 31,		
	2019	2018	Variance
Total G&A expenses	399,703	231,198	168,505
Bank charges & interest	1,140	1,397	(257)
Board and Committee fees	21,000	18,000	3,000
Insurance	24,584	7,520	17,064
Other	51,093	32,552	18,541
Professional fees	25,133	8,000	17,133
Rent	21,251	36,000	(14,749)
Wages	255,502	127,729	127,773

Board and Committee fees are up this period as the Company had more directors than it had in 2018 in the same period.

Insurance costs rose over 2018. The Company had extra D&O insurance premiums in the 2019 quarter. The Company has been able to negotiate lower rates for its commercial and liability insurance. Group insurance costs are the largest component of insurance costs.

Wage expense has increased over 2018 as the Company added a Chief Operating Officer in January 2019 and the CEO was on fully paid salary as opposed to accrual which was the case in 2018.

Professional fees increased as the Company has paid legal fees with regards to the acquisition of ISONEO.

Rent expense decreased as the Company moved to a new location in November of 2018 and received free rent for November and December 2018.

Marketing and Promotion

	Three months ended March 31,		
	2019	2018	Variance
Total M&P expenses	87,817	51,663	36,154
Consultant costs	79,500	48,000	31,500
Investor relations	8,000	-	8,000
Travel costs	317	3,663	(3,346)

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three-month periods ended March 31, 2019 and March 31, 2018 (Cont'd)

Marketing and promotion costs have increased over the same period of 2018.

Consulting costs are up as the Company entered an agreement in October 2018 with a Company.

Investor relations costs are up slightly this period.

Research and Development:

	Three months ended March 31,		
	2019	2018	Variance
Total R&D expenses	272,285	195,720	76,565
Amortization expense	4,933	13,295	(8,362)
R&D costs	23,048	44,377	(21,329)
Travel costs	10,292	4,550	5,742
Wages	234,012	133,498	100,514

Amortization expense has decreased in 2019 over 2018 as assets continue to age.

R&D costs have increased as the company has increased spending on its G3, LSAMM and ISAMM programs.

Wages are up in this period as the Company has utilized more contractors now than in the same period of March 2018.

Comparison of the nine-month periods ended March 31, 2019 and March 31, 2018

The Company sustained a loss of \$1,952,021 for the nine-month period ended March 31, 2019 vs. a loss of \$1,885,410 for the same period ended March 31, 2018. The increase in loss is due to increases in Revenues and decreases in Sales & Marketing and Research & Development costs.

Revenues:

	Nine months ended March 31,		
	2019	2018	Variance
Total Revenues	322,098	155,108	166,990
Star ISMS	223,241	13,453	209,788
Star MMI	98,857	117,848	(18,991)
Other	-	23,807	(23,807)

Revenues for the period ending March 31, 2019 have increased by \$166,990 over the same period of 2018.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the nine-month periods ended March 31, 2019 and March 31, 2018 (Cont'd)

Revenues (Cont'd)

STAR-M.M.I.™ sales have outpaced 2018 at this point in time. However, although the program has generated consistent revenues since the first sale in September of 2014 it has struggled in FY2018 and recent years due to stoppages in programs that are beyond the control of the Company. The Company completed and billed several MMI projects in Q1 of FY2019.

Cost of Inventory Consumed:

	Nine months ended March 31,		
	2019	2018	Variance
Total Cost of Inventory Consumed	86,081	13,012	73,069
Star ISMS	70,169	8,346	61,823
Star MMI	15,912	4,666	11,246

Cost of inventory consumed for the period-ended March 31, 2018 increased over 2017 because of sales generated in Q2 on the STAR-A.D.S.® program. The AI Atheer airlines installation was completed and work in progress was reallocated to Cost of Sales.

General and Administrative:

	Nine months ended March 31,		
	2019	2018	Variance
Total G&A expenses	984,258	819,173	165,085
Bank charges & interest	3,656	4,379	(723)
Board and Committee fees	51,000	54,000	(3,000)
Insurance	64,546	37,567	26,979
Other	185,961	159,440	26,521
Professional fees	84,232	25,214	59,018
Rent	57,251	108,000	(50,749)
Wages	537,612	430,573	107,039

Board and Committee fees are down this year as the Company had two fewer directors than it had in 2018 in the same period.

Insurance costs are up on a year to date basis as the Company has switched providers for its employee benefits program. Group insurance costs are the largest component of insurance. The Company has been able to negotiate lower rates for its commercial and liability insurance.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the nine-month periods ended March 31, 2019 and March 31, 2018 (Cont'd)

Rent expense decreased as the Company moved to a new location in November of 2018 and received free rent for November and December 2018.

Professional fees are up due to legal costs associated with the purchase of ISONEO (see Subsequent events)

Wage expense decreased marginally this period over 2018 due to the CEO being on leave for part of Q1.

Marketing and Promotion

	Nine months ended March 31,		
	2019	2018	Variance
Total M&P expenses	432,172	414,685	17,487
Consultant costs	353,142	315,978	37,164
Investor relations	48,880	60,000	(11,120)
Travel costs	30,150	38,707	(8,557)

Marketing and promotion costs have increased slightly over the same period of 2018.

Travel costs and Consultant costs are close to 2018 levels.

Investor relations costs have dropped.

Research and Development:

	Nine months ended March 31,		
	2019	2018	Variance
Total R&D expenses	695,884	728,711	(32,827)
Amortization expense	14,035	47,412	(33,377)
R&D costs	125,315	203,875	(78,560)
Travel costs	22,799	9,784	13,015
Wages	533,735	467,640	66,095

Amortization expense has decreased in 2019 over 2018 as assets continue to age.

R&D costs have decreased as the company has just started to spend money on its LSAMM and ISAMM projects.

Wages have increased in this quarter as the Company has more contracted R&D staff at this time.

FOREIGN EXCHANGE GAIN/LOSS:

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end 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 is exposed to fluctuations in the value of the following financial instruments which are denominated in US dollars:

	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
Cash	\$ 581	\$ 829
Accounts receivable	310,898	26,562
Accounts payable	(56,074)	(56,074)
	\$ 255,405	\$ (28,683)

Based on the Company's net exposure to US dollar denominated instruments at March 31, 2019 and June 30, 2018, a sensitivity analysis has not been presented as it would be immaterial.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$290,740 at March 31, 2019 compared to a cash indebtedness balance of \$59,956 at June 30, 2018 resulting in an increase of \$350,696. The Company has a working capital deficiency of \$1,703,879 at March 31, 2019 compared to a working capital deficiency of \$2,715,645 at June 30, 2018. The decreased working capital deficiency is due to the Company increasing in its cash reserves due to the closing of a non-brokered private placement in September of 2018 and warrant exercises by Shareholders that raised a further \$2.8 million dollars.

The Company will continue to need more funding either through private placements, exercise of warrants and options or other financing options to sustain operations until revenues from the STAR-M.M.I.™, STAR-A.D.S. ®, STAR-ISAMM™ and STAR-LSAMM™ programs generate adequate cash flows.

The Company continues to monitor its monthly spending as it plans for the current fiscal year.

The Company has borrowed from private investors at various times in prior years but these loans were settled in the shares for debt exchange completed in July 2017 by the Company.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

For the period ending March 31, 2019, cash flow used in operating activities was \$2,685,593 as compared to \$2,140,014 at March 31, 2018. The increase was due in large part to minimal changes in non-cash working capital accounts. The Company's average monthly cash burn has now stabilized but the Company continuously looks for further ways to reduce costs until revenues have increased adequately to reduce the need to borrow/raise funds.

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 the STAR-A.D.S.®, STAR-ISAMM™, STAR-LSAMM™ 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, 2019 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	515,766,339
Share Purchase Warrants	105,742,176 (exercise prices ranging from \$0.05 cents to \$0.07)
Stock Options	3,820,000 (exercise prices ranging from \$0.05 to \$0.15 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 March 31, 2018 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.

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

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.

Financial Instruments - IFRS 9

ACCOUNTING POLICY CHANGES

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.

Financial Instruments: Disclosure – IFRS 7

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company has adopted the amendments to IFRS 7 on August 1, 2018 and has determined that the implementation has not resulted in a significant effect to the financial statements.

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.

ACCOUNTING POLICY CHANGES (Cont'd)

Revenue from Contracts with Customers - IFRS 15

The Company has completed its assessment of the impact of this new standard and has noted beyond the required additional disclosures, there exist no material changes to the consolidated financial statements or required retroactive adjustments.

Share-based Payments – IFRS 2

IFRS 2, Share-based Payments (“IFRS 2”) - In September 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed 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 are net realizable value of inventory, allowance for doubtful accounts, useful lives and impairment of capital assets and intangible assets, stock-based compensation expense, valuation of warrants, going concern uncertainty and realization of deferred tax assets.

RELATED PARTY TRANSACTIONS

The Company has accrued and carries a significant balance on its consolidated financial statements of amounts due to related parties. The amounts represent compensation accrued with respect to salary compensation for its directors and officers, and monthly compensation accrued for its directors and committee chairpersons that has accumulated over the past several years.

RELATED PARTY TRANSACTIONS (Cont'd)

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.

One half of 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 - \$1,000 per month, Compensation/Corporate Governance Chairman - \$1,000 per month, Strategic Planning / Human Resources Chairman - \$1,000 per month. All of the above amounts are recognized in the consolidated financial statements of the Company as accrued.

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. There were no license payments made or required to be made for the periods ended March 31, 2019 and March 31, 2018.

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 (Note 18(b)).

The amount due to related parties at March 31, 2019 is \$2,082,527 (June 30, 2018 - \$1,995,990) and is comprised of the following:

	March 31, 2019	June 30, 2018
Due to Directors	\$ 84,000	\$ 48,000
Due to Committee Chairpersons	27,000	12,000
Due to Chief Executive Officer – Viraf Kapadia ⁽ⁱ⁾	1,797,603	1,706,546
Due to Chief Operating Officer – Jean-Louis Larmor	173,924	224,924
Due to Chief Financial Officer – Randy Koroll	-	4,520
Total at March 31, 2019	\$ 2,082,527	\$ 1,995,990

RELATED PARTY TRANSACTIONS (Cont'd)

(i) \$1,735,720 (June 30, 2018 - \$1,644,663) of the balance bears interest at 5% per annum; \$61,883 (June 30, 2018 - \$61,883) of the balance is non-interest bearing. Interest accrued on the loan payable to the CEO for the period ended March 31, 2019 was \$51,053 (March 31, 2018 – \$40,488).

The Company also owes \$1,877 (June 30, 2018 - \$7,550) in credit card debt that is guaranteed by the CEO and Chairman of the Board in accounts payables and accrued liabilities.

Key management personnel cost included in the consolidated statement of comprehensive loss as of March 31, 2019 is \$529,682 (March 31, 2018 - \$486,106). These amounts which are included in general and administrative expense represent fees paid and accrued to directors and officers of the Company:

	March 31, 2019	March 31, 2018
Chief Executive Officer	\$ 154,225	\$ 211,500
Chief Operating Officer	203,833	139,500
Chief Financial Officer	45,000	18,000
Board of Director fees	36,000	36,000
Committee Chairperson fees	15,000	18,000
Interest on loan to Chief Executive Officer	75,624	63,106
Total at March 31, 2019	\$ 529,682	\$ 486,106

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

At the end of April, 2019 the Company announced the resignations of Mr. David H. Tsubouchi, B.A., J.D., LL.D., D.S.Litt., C.DIR, and Ms. Mary Meffe, CPA, CA, C.DIR., as directors of the Company, effective April 30, 2019 and May 1, 2019 respectively. No candidates to replace Mr. Tsubouchi and Ms. Meffe have been identified at this time.

A Special General Meeting of shareholders has been requested by certain shareholders with respect to the Chief Executive Officer. The Board of Directors is considering this request.

SUBSEQUENT EVENTS (Cont'd)

The Company announced that it had entered into a long-term agreement with AMS Heli Design ("AMS") of Denison, Texas. (www.amsheli.com). AMS is a Helicopter EMS Interior provider, specializing in Air Ambulance configuration through the use of new lightweight materials and new generation technologies.

The Company has received a request from its Indian distributor to send a technical presentation team to India in order to support discussions with a large potential customer. The Company is advised that those discussions have reached a critical stage and has agreed to send a team at the end of May.

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.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

The Company's target clients for the flagship STAR-A.D.S.® System, and its variant applications, are mainly commercial airlines, helicopters and EMS operators. 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-ISAMM™, STAR-LSAMM™, 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.

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.

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® G3 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 data management centre. Development of the next generation G3 system will be completed by December 2019.

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 Supplemental Type certificates ("STC's"), required whenever the Company is installing equipment aboard an aircraft.

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 Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109.

As part of our corporate governance practices, ICFR and DC&P have been designed. There has been no formal evaluation of the operation of these controls. The Company has designed its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance IFRS.

Management works to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Company's DC&P have been designed to ensure that information required to be disclosed by Star is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Company's CEO and CFO believe that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud. There have been no material changes to the internal controls of the Company for the period ended March 31, 2019.