Star Navigation Systems Group Ltd.

Unaudited Interim Condensed Consolidated
Financial Statements

For the three and nine month periods ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Toronto, Ontario
May 10, 2021

Star Navigation Systems Group Ltd.
Consolidated Statements of Financial Position
As at March 31, 2020 and June 30, 2019
(Unaudited)
(Expressed in Canadian dollars)

	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
Assets		
Current		
Accounts Receivables	$ 69,992	$ 279,893
Prepaid expenses and deposits	140,509	29,521
Sales tax recoverable (Note 4)	232,769	118,632
	443,270	428,046
Property and equipment (Note 5)	73,735	91,550
Right-of-use assets (Note 6)	898,015	974,992
	$ 1,415,020	$ 1,494,588
Liabilities		
Current		
Bank indebtedness (Note 7)	$ 67,840	$ 91,046
Accounts payable and accrued liabilities (Note 8)	934,691	458,965
Current portion of Right-of-use obligation (Note 9)	8,113	8,113
Other payables (Note 10)	205,830	205,830
Deferred revenue	167,490	134,561
Loans payable (Note 11)	1,156,760	110,000
Due to related parties (Note 16)	2,573,993	2,167,147
	5,114,717	3,175,662
Long-term		
Right-of-use lease obligation (Note 9)	1,014,682	1,018,516
	6,129,397	4,194,178
Shareholders' Deficiency		
Share capital (Note 12)	40,509,123	40,557,248
Contributed surplus (Note 13)	17,459,895	17,293,770
Deficit	(62,683,395)	(60,550,608)
	(4,714,377)	(2,699,590)
	$ 1,415,020	$ 1,494,588

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 17)

Approved by the Board ***"Gurdip Panaich"*** ***"Anoop Brar"***

Director *(Signed)* **Director** *(Signed)*

Star Navigation Systems Group Ltd.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	**2020**	2019
Revenue (Note 18)	**$ 34,772**	$ 21,061	**$ 91,617**	$ 322,098
Expenses				
Cost of inventory consumed	**11,606**	8,264	**35,401**	86,081
General and administrative (Note 19)	**537,716**	399,703	**1,186,174**	984,258
Research and development (Note 19)	**309,108**	272,285	**778,169**	695,884
Marketing and promotion (Note 19)	**62,042**	87,817	**89,542**	432,172
Foreign exchange loss (gain)	**1,179**	-	**3,141**	100
	921,651	768,069	**2,092,427**	2,198,495
Loss from Operations	**(886,879)**	(747,008)	**(2,000,811)**	(1,876,397)
Other Income (Expenses)				
Interest expense – Lease liability (Note 9)	**(25,640)**	-	**(76,978)**	-
Interest expense (Note 16)	**-**	(24,612)	**(54,998)**	(75,624)
Net Loss and Comprehensive Loss for the period	**$ (912,519)**	$ (771,620)	**$ (2,132,787)**	$ (1,952,021)
Basic and diluted loss per common share	**$ (0.002)**	$ (0.001)	**$ (0.004)**	$ (0.004)
Weighted average number of common shares outstanding	**516,910,393**	434,165,537	**516,910,393**	434,165,537

Star Navigation Systems Group Ltd.
Interim Condensed Consolidated Statements of Changes in Deficiency
For the Nine months ended March 31, 2020 and 2019
(Unaudited)
(Expressed in Canadian dollars)

	Number of common shares	Number of Series I preferred shares	Share capital	Contributed surplus	Deficit	Non-controlling interest	**Total**
Balance at June 30, 2018	**455,154,996**	**615,000**	**$38,772,715**	**$15,695,446**	**$(57,144,020)**	-	**$(2,675,859)**
Issued for cash on private placement (Note 12(a))	42,100,000	-	2,105,000	-	-	-	**2,105,000**
Issued as finder's fees on private placement (Note 12(a))	4,210,000	-	210,500	-	-	-	**210,500**
Value allocated to warrants as part of private placement (Note 12(a))	-	-	(955,861)	955,861	-	-	**-**
Issued for cash on warrants exercised (Note 12(b))	10,654,179	-	854,800	-	-	-	**854,800**
Issued for cash on options exercised (Note 12(c))	550,000	-	35,000	-	-	-	**35,000**
Value allocated to options granted (Note 12(c))	-	-	(172,609)	172,609	-	-	**-**
Shares issued upon acquisition of majority interest in ISONEO (Note 12(d))	686,106	-	40,000	-	-	-	**40,000**
Issued for cash on options exercised	375,000	-	18,750	-	-	-	**18,750**
Share issuance costs (Note 12(a))	-	-	(210,500)	-	-	-	**(210,500)**
Loss for the period	-	-	-	-	(1,941,744)	(10,277)	**(1,952,021)**
Balance at March 31, 2019	**513,730,281**	**615,000**	**$40,697,795**	**$16,823,916**	**$(59,085,764)**	**$(10,277)**	**$(1,574,330)**
Balance at June 30, 2019	**516,048,480**	**615,000**	**$40,557,248**	**$17,293,770**	**$(60,550,608)**	-	**$(2,699,590)**
Issued for cash on private placement (Note 12(e))	3,147,667	-	118,000	-	-	-	**118,000**
Issued as finder's fees on private placement (Note 12(e))	157,333	-	5,900	-	-	-	**5,900**
Value allocated to warrants as part of private placement (Note 12(e))	-	-	(166,125)	166,125	-	-	**-**
Share issuance costs (Note 12(e))	-	-	(5,900)	-	-	-	**(5,900)**
Loss for the period	-	-	-	-	(2,132,787)	-	**(2,132,787)**
Balance at March 31, 2020	**519,353,480**	**615,000**	**$40,509,123**	**$17,459,895**	**$(62,683,395)**	**-**	**$(4,714,377)**

Star Navigation Systems Group Ltd.
Interim Condensed Consolidated Statements of Cash Flows
For the Nine months ended March 31, 2020 and 2019
(Expressed in Canadian dollars)
(Unaudited)

	March 31, 2020	2019
Cash provided by (used in)		
Operations		
Net loss	**$ (2,132,787)**	$ (1,952,021)
Items not affecting cash		
Depreciation	**17,815**	13,285
Amortization of Right-of-use assets	**76,977**	-
Amortization of intangible assets	**-**	751
	(2,037,995)	(1,937,984)
Net changes in non-cash working capital		
Accounts receivable	**209,901**	(264,836)
Inventory	**-**	26,828
Sales tax recoverable	**(21,877)**	(89,161)
Prepaid expenses and deposits	**(203,248)**	(97,280)
Accounts payable and accrued liabilities	**475,726**	(295,014)
Deferred revenue	**32,929**	(28,145)
	(1,544,564)	(2,685,593)
Investing		
Purchase of property and equipment	**-**	(45,048)
	-	(45,048)
Financing		
Proceeds from loan payable	**1,046,760**	-
Lease obligation payments	**(3,836)**	-
Due to related parties	**406,846**	86,537
Proceeds of warrants exercised	**-**	854,800
Proceeds from options exercised	**-**	35,000
Issuance of common shares (net of share issuance costs)	**118,000**	2,105,000
	1,567,770	3,081,337
Net change in cash	**23,206**	350,696
(Bank indebtedness), beginning of period	**(91,046)**	(59,956)
(Bank indebtedness) Cash, end of period	**$ (67,840)**	$ 290,740
Supplemental Disclosure		
Interest paid	**$ 54,998**	$ 71,624

1. NATURE OF OPERATIONS AND GOING CONCERN

Star Navigation Systems Group Ltd. (the "Company") is devoting substantially all of its activity to the development, marketing and promotion of an In-flight Safety Monitoring System ("STAR-ISMS®"), whereby data from an aircraft can be transmitted to ground stations for the duration of a flight. The Company has been granted supplemental type certificates for use of the systems on a Boeing 737, 727, Airbus A321, A320, A340 and a Learjet 45.

The Company was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (*Ontario*) in May 2000 and its registered address is located at 11 Kenview Blvd, Brampton, Ontario L6T 5G5. The Company is listed on the Canadian Securities Exchange trading under the symbol of "SNA".

Going Concern

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared using accounting policies applicable to a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. The Company incurred a net loss of $2,132,787 for the nine month period ended March 31, 2020 (March 31, 2019 – $1,952,021), has an accumulated deficit of $62,683,395 (June 30, 2019 - $60,550,608) and has negative working capital of $4,671,447 (June 30, 2019 – $2,747,616). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue operations, meet its obligations and realize its investment in development costs is dependent on the continued support from investors and related parties to finance sales to customers, continue the project development, obtain the necessary certifications from regulatory agencies as well as successfully marketing the STAR-ISMS® for gain. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenues and expenses, and the financial position classifications used, that may be necessary should the Company be unable to continue as a going concern or be unable to realize its assets and discharge its liabilities in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements are unaudited and have been prepared on a condensed basis in accordance with the International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board and interpretations of the International Financial Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These financial statements for the nine months ended March 31, 2020 and 2019 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2019. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of and as described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2019.

2. BASIS OF PRESENTATION (Cont'd)

(b) Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

(c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

(d) Basis of Consolidation

These financial statements include the accounts of the Company and its wholly-owned and controlled operating subsidiaries, Star Navigation Systems Inc. ("Star"), Star Navigation Systems (Quebec) Inc., ISONEO and Star Navigation Systems (U.K) Ltd. Star Navigation Systems (Quebec) Inc. and Star Navigation Systems (U.K) Ltd. are inactive. The financial statements of its subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

(e) Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

(i) Net realizable value of inventory:

Net realizable value for inventory is determined based on the selling price of the products in the normal course of operations. The selling price is impacted by several factors including, age and condition of the products, technical obsolescence, and market conditions in the customer's industry. Management estimates the selling price of inventory based on first-hand knowledge of the industry and the specific products held in inventory at year-end. These estimates will affect the carrying value of inventory and the amount of cost of goods sold.

(ii) Allowance for doubtful accounts:

Accounts receivable are reviewed for collectability on a weekly basis. Management is required to make judgment whether a receivable balance is collectable based on their relationship with the counterparty and knowledge of the counterparty's financial position. These judgments will affect the reported amount of accounts receivable as well as bad debts expense.

2. BASIS OF PRESENTATION (Cont'd)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Cont'd)

(iii) Useful lives and impairment of capital assets and intangible assets:

Capital assets and intangible assets are amortized based on their estimated useful lives, which is the lesser of the economic life or the legal life of the asset. Management reviews the carrying value of these assets annually to determine if all items are still in use or are no longer expected to generate future benefit. These estimates will affect the carrying value of capital assets and intangible assets and the amount of depreciation and impairment expenses.

(iv) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

(v) Valuation of warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value.

The significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and the consolidated financial statements continue to be prepared on a going concern basis. However, management does not believe the Company has sufficient cash on hand to meet the Company's operating expenditures beyond March 31, 2020 which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION (Cont'd)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Cont'd)

(ii) Impairment of goodwill:

Determining whether goodwill is impaired requires firstly the identification of indicators of impairment and if any are found, a calculation of the value in use of the cash generating units ("CGU") to which goodwill has been allocated. The identification of indicators of impairment requires management to exercise its judgment in assessing the CGU. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and determination of a suitable discount rate in order to calculate present value. These estimates will affect the reported amounts for goodwill and impairment expense.

(iii) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

3. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The following standards have been adopted on January 1, 2019:

Leases – IFRS 16

IFRS 16, Leases ("IFRS 16"), sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). This replaces IAS 17, Leases, and related interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all leases and requires a lessee to recognize (i) right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value; and (ii) depreciation of lease assets separately from interest on lease liabilities on the Consolidated Statements of Operations and Comprehensive loss.

Under IFRS 16, lessor accounting for operating and finance leases is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The guidance allows for either a full retrospective or modified retrospective transition method. The Company has selected to apply the modified retrospective transition method. Further, the Company has selected to apply the practical expedients to (i) grandfather the assessment of which transactions are leases; (ii) recognition exemption of short-term leases; and (iii) recognition exemption leases of low-value items. From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(Expressed in Canadian dollars)

3. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Cont'd)

Leases – IFRS 16 (Cont'd)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Adjustments recognized on adoption of IFRS 16

The Company transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures for fiscal 2018 were not adjusted. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 8.0%. The lease commitments expire in December 2026.

The following table reconciles the Company's operating lease commitments as at December 31, 2018 as previously disclosed in the audited consolidated financial statements of the Company, to the lease obligations recognized on initial application of IFRS 16 on January 1, 2019:

Operating lease commitments as at December 31, 2018	$	1,711,374
Effect of discounting using the incremental borrowing rate		(685,067)
Lease liability recognized as at January 1, 2019	$	1,026,307

3. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Cont'd)

Leases – IFRS 16 (Cont'd)

Adjustments recognized on adoption of IFRS 16 (Cont'd)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the
standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The adoption of the new standard affected the following items in the balance sheet on January 1, 2019:

- Right-of-use assets – increase by $974,992
- Lease liabilities – increase by $1,018,516

4. SALES TAX RECOVERABLE

Sales tax recoverable is due from the Government of Canada in relation to Harmonized Sales Tax refunds, which at March 31, 2020 amounted to $140,509 (June 30, 2019 - $118,632).

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment and Software	Computer Equipment under Finance Lease	**Total**
Cost				
Balance at June 30, 2019	$ 324,805	$ 171,280	$ 318,796	$ 814,882
Additions	-	-	-	-
Balance at March 31, 2020	**$ 324,805**	**$ 171,280**	**$ 318,796**	**$ 814,882**
Accumulated Depreciation				
Balance at June 30, 2019	$ 251,400	$ 158,523	$ 313,409	$ 723,332
Amortization for the period	11,010	4,784	2,020	17,815
Balance at March 31, 2020	**$ 262,410**	**$ 163,307**	**$ 315,429**	**$ 741,147**
Carrying Amounts				
As at June 30, 2019	$ 73,407	$ 12,757	$ 5,387	$ 91,550
As at March 31, 2020	**$ 62,395**	**$ 7,973**	**$ 3,367**	**$ 73,735**

(Expressed in Canadian dollars)

6. RIGHT-OF-USE ASSETS

		March 31, 2020 (Unaudited)		June 30, 2019 (Audited)
Cost				
Opening Balance	$	**1,026,307**	$	-
Impact of adoption of IFRS 16		**-**		1,026,307
Additions		**-**		-
Balance		**1,026,307**		1,026,307
Accumulated depreciation and impairment				
Opening Balance		**51,315**		-
Amortization of right of use asset		**76,977**		51,315
Balance as of March 31, 2020		**128,292**		51,315
Net Book Value				
At June 30, 2019			$	974,992
At March 31, 2020	$	**898,015**		

7. BANK CREDIT FACILITY

The Company utilizes a revolving line of credit (“LOC”) from The Toronto-Dominion Bank to provide working capital flexibility. The LOC is available up to a maximum of $50,000, which has been fully utilized as at March 31, 2020 and June 30, 2019. The LOC is presented on a net basis in cash on the statements of financial position. The LOC has been canceled by TD due to the Company being placed into receivership subsequent to the year end. (See Note 26 – Subsequent events).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2020 (Unaudited)		June 30, 2019 (Audited)
Trade payables	**$**	**528,344**	$	213,184
Accrued liabilities [(a)]		**406,347**		245,781
	$	**934,691**	$	458,965

(a) Included in accrued liabilities are payroll remittance arrears owing to the Canada Revenue Agency (“CRA”) totaling $143,189 (June 30, 2019 - $201,930).

(Expressed in Canadian dollars)

9. LEASE LIABILITIES

		March 31, 2020 (Unaudited)		June 30, 2019 (Audited)
Opening Balance	$	**1,026,629**	$	1,026,307
Interest on lease liabilities		**76,979**		51,322
Payments		**(80,815)**		(51,000)
		1,022,793		1,026,629
Current maturity		**(8,113)**		(8,113)
Long-term	$	**1,014,680**	$	1,018,516

The following table outlines the total contractual undiscounted real estate lease liabilities as at March 31, 2020:

		December 31, 2019 (Unaudited)
2020	$	**89,437**
2021		**141,756**
2022		**192,624**
2023		**192,624**
2024		**192,624**
Thereafter		**770,496**
Less: future interest expense		**(556,768)**
Total lease liabilities at March 31, 2020	$	**1,022,793**

10. OTHER PAYABLES

Other payables include amounts due to a former employee of the Company with respect to unpaid compensation.

11. LOAN PAYABLE

This loan is unsecured, non-interest-bearing and has no set terms of repayment.

(Expressed in Canadian dollars)

12. SHARE CAPITAL

Authorized

615,000	Series I First Preferred Shares, non-voting, entitled to non-cumulative dividends at a rate of 7% in priority to common shares, redeemable at $1.00 at the option of the Company and have no par value.
350,000	Series II First Preferred Shares, non-voting, entitled to cumulative dividends at 9% per annum in priority to common shares and exchangeable for common shares at the rates of 5 common shares, 3.33 common shares and 2.5 common shares for each Series II Preferred Share in each of the first, second and third years after issue respectively. These shares have no par value and are redeemable at $1.00 per share at the option of the Company.
Unlimited	common shares, no par value.

Share Capital Activity

(a) On September 6, 2018, the Company closed a non-brokered private placement issuing 42,100,000 units of the Company (the "Units") at a price per unit of $0.05 for gross proceeds of $2,105,000. Each unit consists of one common share in the capital of the Company and one warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $0.07 cents per warrant exercised. The warrants are exercisable during the one year period from the date of issue. In addition, the Company has agreed to pay finder's fees in the amount of 4,210,000 units valued at $210,500.

(b) During the year ended June 30, 2019, 12,574,378 warrants to purchase common shares of the Company were exercised at a price of $0.05-$0.07 per common share, resulting in proceeds to the Company of $842,093.

(c) During the year ended June 30, 2019, 550,000 options to purchase common shares of the Company were exercised at prices of $0.05-$0.10 per common share, resulting in proceeds to the Company of $35,000.

(d) During the year ended June 30, 2019, 686,106 common shares of the Company were issued to purchase a majority interest in ISONEO. The shares were issued at a price of $0.06 resulting in a purchase price of $40,000 plus costs.

(e) On September 11, 2019, the Company closed a non-brokered private placement issuing 3,146,667 units of the Company (the "Units") at a price per unit of $0.0375 for gross proceeds of $118,000. Each unit consists of one common share in the capital of the Company and one warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $0.05 cents per warrant exercised. The warrants are exercisable during the two (2) year period from the date of issue. In addition, the Company has agreed to pay finder's fees in the amount of 157,333 units valued at $5,900.

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS

Stock-Based Compensation

The Company has a Stock Option Plan (the "Plan") for employees, officers, directors and consultants performing special technical or other services of the Company ("Optionees"). During 2010, the Company amended the Plan whereby the number of common shares to be issued under the Plan is not to exceed 30,000,000 common shares. The designation of Optionees, amount and vesting provisions of awards under the Plan are determined by the Board of Directors.

Stock Option Transactions	Number	Exercise Price	Weighted Average Exercise Price
Balance at June 30, 2018	**6,545,000**		**$0.05**
Options expired	(125,000)	$0.05-$0.07	$0.05
Options exercised	(650,000)	$0.05-$0.10	$0.06
Options granted	3,950,000	$0.075-$0.15	$0.10
Balance at June 30, 2019	**9,720,000**		**$0.09**
Options expired	(3,250,000)	$0.08-$0.10	$0.07
Balance at March 31, 2020	**6,470,000**		**$0.09**
Exercisable at March 31, 2020	**6,470,000**		**$0.09**

The fair value of the options issued is determined using the Black-Scholes model for pricing options under the following weighted average assumptions

During the year ended June 30, 2019, the Company granted 3,950,000 stock options with an exercise price of $0.075 - $0.15. The options will expire between August 31, 2020 and January 14, 2023 and will vest in their entirety after 4 months from the grant date.

	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
Expected dividend yield	-	Nil
Risk free interest rate	-	1.92% - 2.05%
Expected volatility	-	147% - 153%%
Expected life	-	1.99 – 3.98 years
Share price	-	$0.065 - $0.075

Expected volatility is based on the average historical volatility over the life of the option on the Company's share price.

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Cont'd)

As at March 31, 2020, the Company had stock options issued to directors, officers, employees and key consultants of the Company outstanding as follows:

Date of Grant	Options Granted	Options Exercisable	Exercise Price	Expiry Date
March 31, 2016	1,350,000	1,350,000	$0.05	March 1, 2021
October 21, 2016	920,000	920,000	$0.05	March 1, 2021
May 2, 2018	300,000	300,000	$0.07	August 31, 2020
September 6, 2018	1,500,000	1,500,000	$0.075-$0.15	August 31, 2020
January 21, 2019	1,100,000	1,100,000	$0.10-$0.15	January 21, 2021
January 21, 2019	1,300,000	1,300,000	$0.10-$0.15	January 14, 2021
	6,470,000	**6,470,000**		

The weighted average remaining contractual life of the outstanding options is 1.00 years (June 30, 2019 – 1.45 years).

Warrants

	Number	Weighted-Average Exercise Price	Expiry Date
Balance at June 30, 2019	**82,276,000**	**$0.07**	
Issued	**3,304,000**	**$0.0375**	September 11, 2021
Balance at March 31, 2020	**85,580,000**	**$0.01**	

On March 28, 2019, the Company announced it has extended the expiry date of a total of 31,801,333 common share purchase warrants exercisable at $0.07 per share. The warrants were originally issued by the Company pursuant to a non-brokered private placement on April 13, 2016 of 31,801,333 Units for gross proceeds of $954,040. The expiry date of the warrants was extended to April 2, 2021. The Company also announced that it extended the expiry date of a total of 3,766,667 common share purchase warrants exercisable at $0.07 per share. The warrants were originally issued pursuant to a non-brokered private placement on April 27, 2018 of 3,766,667 Units for gross proceeds of $226,000. The expiry date of the warrants was extended to April 2, 2021.

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Cont'd)

As at March 31, 2020, the Company had warrants issued and outstanding as follows:

Date of Issue	Warrants Issued	Exercise Price	Expiry Date
April 13, 2016	31,801,333	$0.07	April 2, 2021
April 27, 2018	3,766,667	$0.07	April 2, 2021
September 6, 2018	46,708,000	$0.05	September 6, 2021
September 11, 2019	3,304,000	$0.05	September 11, 2021
	85,580,000		

The fair value of the warrants issue5d is determined using the Black-Scholes model for pricing options under the following weighted average assumptions.

	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
Expected dividend yield	**Nil**	Nil
Risk free interest rate	**0.75%**	2.05%
Expected volatility	**165%**	134%
Expected life	**2 years**	1.0 years
Share price	**$0.075**	$0.075

Expected volatility is based on historical data.

Basic and diluted loss per common share based on net loss for the nine month period ended March 31;

Numerator:	**March 31, 2020**	March 31, 2019
Net loss for the period	**$(2,132,787)**	$(1,952,021)
Denominator:		
Weighted average number of common shares outstanding - basic	**516,910,393**	434,165,537
Weighted average number of common shares outstanding - diluted	**516,910,393**	434,165,537
Loss per common share based on net loss for the period:		
Basic	**$ (0.004)**	$(0.004)
Diluted	**$ (0.004)**	$(0.004)

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Cont'd)

Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at March 31, 2020:

	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
Common shares outstanding	**519,353,480**	516,048,480
Warrants to purchase common shares	**85,580,000**	82,276,000
Stock options to purchase common shares	**6,470,000**	9,720,000
Fully diluted common shares outstanding	**611,403,480**	608,044,480

14. MANAGEMENT OF CAPITAL

The Company considers its capital to include the components of equity attributable to common shareholders which amounts to a deficit of $4,714,377 at March 31, 2020 (June 30, 2019 – $2,699,590) and is comprised of issued share capital, contributed surplus and deficit in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to develop, market and promote its STAR-ISMS® technology and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2020. The Company manages capital by obtaining loans from private investors and through the issuance of shares from private placements.

15. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market Risk

(i) Currency risk:

Currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Company's future cash flows. The Company is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from significant sales and purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain US cash on hand to support US forecasted cash flows over a 12-month horizon. To achieve this objective the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

The Company is exposed to fluctuations in the value of the following financial instruments which are held in US dollars:

	March 31, 2019 (Unaudited)	June 30, 2019 (Audited)
Cash	**$ 11,499**	$ 7,145
Accounts receivable	**70,181**	279,893
Accounts payable	**(72,817)**	(50,054)
	$ 8,863	$ 236,984

Based on the Company's net exposure to US denominated instruments at March 31, 2020 and June 30, 2019, a sensitivity analysis has not been presented as the impact to profit and loss would be immaterial.

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt is at fixed rates and due in the short term. Accordingly, there is limited exposure to cash flow or price interest rate risk.

15. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit Risk

The Company does not believe it is exposed to any significant concentration of credit risk. However, as disclosed in Note 18, the Company earns a significant amount of revenue from a few customers. As at March 31, 2020, approximately $70,181 (June 30, 2019 - $164,892) of the Company's receivables were past due the average credit period of 90 days. As at March 31, 2020, the Company's allowance for doubtful accounts was $Nil (June 30, 2019 - $Nil) and bad debts expense amounted to $Nil (December 31, 2018 – $46,602).

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at March 31, 2020, the Company has current liabilities of $5,114,717 (June 30, 2019 - $3,175,662) due within 12 months and bank indebtedness of ($67,840), (June 30, 2019 – ($91,046)). As at March 31, 2020, the Company has a working capital deficiency of $4,671,447 (June 30, 2019 - $2,747,616) and accordingly, the Company is subject to significant liquidity risk. Management will continue to raise capital to develop, market and promote its STAR-ISMS® technology and to maintain its operations. See Note 1 for going concern.

There have been no changes for the Company's risk management policies for market risk, credit risk, and liquidity risk since March 31, 2020.

16. RELATED PARTY TRANSACTIONS

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

The Company 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, 2020 and June 30, 2019.

The Company has an employment agreement in place with the 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.

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS

(a) Amounts due to related parties at March 31, 2020 is $2,573,993 (June 30, 2019 - $2,167,147) and is comprised of the following:

	March 31, 2020 (Unaudited)	June 30, 2019 (Audited)
Due to Directors	**$ 183,000**	$ 110,000
Due to Committee Chairpersons	**48,000**	34,000
Due to Chief Executive Officer – Viraf Kapadia(i)	**2,220,875**	1,884,134
Due to Chief Operating Officer – Jean-Louis Larmor	**122,118**	139,013
	$ 2,573,993	$ 2,167,147

(i) $2,220,875 (June 30, 2019 - $1,884,134) of the balance bears interest at 5% per annum; Interest accrued on the loan payable to the CEO for the period ended March 31, 2020 was $54,998 (December 31, 2018 – $51,012). All amounts are unsecured and are due on demand.

(b) The Company also owes $5,700 (June 30, 2019 - $8,565) in credit card debt that is guaranteed by the CEO and Chairman of the Board in accounts payables and accrued liabilities.

(c) Compensation to key management personnel, directors and committee chairpersons included in general and administrative expenses in the interim condensed consolidated statement of comprehensive loss was as follows for the years ended December 31:

	March 31, 2020	March 31, 2019
Chief Executive Officer	**$ 125,484**	$ 129,750
Chief Operating Officer	**139,500**	93,000
Chief Financial Officer	**36,000**	21,000
Board of Director fees	**76,000**	24,000
Committee Chairperson fees	**14,000**	6,000
Interest paid to Chief Executive Officer	**54,998**	51,053
	$ 445,982	$ 324,803

17. COMMITMENTS AND CONTINGENCIES

(a) The Company has an employment agreement with its Chief Executive Office and Chairman of the Board that will pay a royalty of 3% on gross sales of any STAR-ISMS® units that occur after the Termination Event as defined below. Termination Events include the following; a) resignation within two years following a change of control and b) termination within two years following a change of control, other than termination for cause or death.

(Expressed in Canadian dollars)

18. SIGNIFICANT CUSTOMER

During the year ended March 31, 2020, 82% (March 31, 2019 – 100%) of the revenue was generated from Star-ISMS sales. During the year ended March 31, 2020, 82% (March 31, 2019 – 100%) of the revenue recognized during the year was generated from a customer located in the United States. During the year ended March 31, 2020, 82% (March 31, 2019 – 100%) of revenue earned is from repairs and maintenance services on STAR-MMI flat panel displays units.

19. EXPENSE DISCLOSURES

General and Administrative	**March 31, 2020**	March 31, 2019
Bank charges and interest	**$ 6,555**	$ 3,656
Board and committee fees	**90,000**	51,000
Filing fees	**57,423**	-
Insurance	**59,363**	64,546
Miscellaneous	**104,928**	185,961
Professional fees	**470,491**	84,232
Rent	**35,381**	57,251
Wages	**362,033**	537,612
Total G&A expenses	**$ 1,186,174**	$ 984,258

Research and Development		
Amortization expense	**$ 17,815**	$ 14,035
Research and development costs	**136,469**	125,315
Travel costs	**47**	22,799
Wages	**623,838**	533,735
Total R&D expenses	**$ 778,169**	$ 432,172

Marketing and Promotion		
Consultant costs	**$ 86,500**	$ 353,142
Investor relations	**-**	48,880
Travel costs	**3,042**	30,150
Total M&P expenses	**$ 89,542**	$ 695,884

(Expressed in Canadian dollars)

20. SEGMENT INFORMATION

The Company operates in a single segment, consisting of the development, marketing, and sale of in-flight safety monitoring systems, whereby data from an aircraft can be transmitted to ground stations for the duration of a flight. This segment operates entirely in Canada. All revenues are earned by this segment, and all assets are held by this segment. Accordingly, no segmented information is presented in these consolidated financial statements.

21. RESTATEMENT

The Company has restated its consolidated statements of financial position, consolidated statements of loss and comprehensive loss and changes in shareholders' deficiency and consolidated statements of cash flows for the year ended June 30, 2018. The correction of the error relates to amounts of stock-based compensation related to the issuance of stock options, in the amount of $202,701, not recorded in the year ended June 30, 2018.

The impact of these changes from the correction of the prior year error as mentioned above are set out as follows:

Consolidated statement of financial position

	As previously reported June 30, 2018	Correction of error	As restated June 30, 2018
Contributed surplus	$ 15,695,446	$ 202,701	**$ 15,898,147**
Deficit	$ 57,144,020	$ 202,701	**$ 57,346,721**

Consolidated statement of loss and comprehensive loss

	As previously reported June 30, 2018	Correction of error	As restated June 30, 2018
Expenses	$ 2,625,145	$ 202,701	**$ 2,827,846**
Loss from operations	$ 2,450,058	$ 202,701	**$ 2,652,759**
Net loss and comprehensive loss	$ 2,505,765	$ 202,701	**$ 2,708,466**

Consolidated statement of changes in shareholders' deficiency

	As previously reported June 30, 2018	Correction of error	As restated June 30, 2018
Contributed surplus	$ 15,695,446	$ 202,701	**$ 15,898,147**
Net loss	$ 2,505,765	$ 202,701	**$ 2,708,466**
Deficit	$ 57,144,020	$ 202,701	**$ 57,346,721**

Consolidated statement of cash flows

There was no impact on the net cash used in operating, investing and financing activities.

22. SUBSEQUENT EVENTS

(a) Cease Trade Order

On November 1, 2019, the Ontario Securities Commission ("OSC") issued a cease trade order (the "CTO" or "FFCTO") against the Company for failing to file certain outstanding continuous disclosure documents in a timely manner.

(b) New Company Management

During the fiscal year 2019, various shareholders, unhappy with the leadership and performance of the Company, requested that a Special Meeting of Shareholders be held. A Special Shareholder Meeting ("Meeting") was held on December 11, 2019, at which the shareholders passed the resolutions proposed in the Concerned Shareholders Proxy Circular.

As a result of the passing of that resolution:

Peter Clausi, Brian Crawford, Birks Bovaird, Ali Jomaa, Stephen Coutts, Zachery Goldenberg, and Randy Hoback were elected as directors of the Company with the support of 99% of the shareholders voting at the Meeting.

A motion to authorize the directors to investigate any and all related party transactions in respect of the Corporation was passed with the support of 99% of the shareholders voting at the Meeting.

At a board of directors' meeting immediately following the Special Shareholder Meeting, Mr. Viraf S. Kapadia was terminated as CEO of the Company and all other positions and the following persons were appointed to management positions:

Peter M. Clausi was appointed Interim Chief Executive Officer; Randy Koroll was appointed Chief Financial Officer and Corporate Secretary; Jean-Louis Larmor was confirmed as Vice-President, Corporate Development; Barney Lassche was appointed as Vice-President, Human Resources; and Birks Bovaird was appointed as the Company's Chairman of the Board.

(c) Bankruptcy

Immediately prior to the Meeting, the former CEO, Mr. Viraf S. Kapadia, purported to file security documents related to a debt he claims was incurred to him by the Company during his tenure as CEO. This alleged debt is part of the related party transactions to be investigated in the shareholder-sanctioned investigations.

On December 11, 2019, immediately prior to the Meeting, the former CEO filed a Notice of Intention to Make Proposal ("NOI") under Section 50.4 of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the "BIA"), with respect to the Company. A. Farber & Partners Inc. ("Farber") was appointed as Proposal Trustee (the "Proposal Trustee").

In this process, Mr. Kapadia alleged he was an unsecured creditor of the Corporation mainly in respect of a claim for more than $2,100,000 for accrued and unpaid salary ("Related Party Debt"). However, the Proposal Trustee did not permit Mr. Kapadia to vote his claimed debt on the basis that Mr. Kapadia was a non-arm's length party pursuant to Canada's Bankruptcy and Insolvency Act. Mr. Kapadia had actually wanted to vote against the Proposal and sought to bankrupt the Corporation with the effect of destroying all shareholder value. Instead, if approved by the Court, Mr. Kapadia will receive approximately $55,000 as an unsecured creditor. His alleged secured debt of some $67,000 has yet to be proven and remains an unresolved issue.

22. SUBSEQUENT EVENTS (Cont'd)

The NOI filing provided an automatic stay of proceedings against the creditors of the Company for a 30-day period thus providing the Company the opportunity to restructure its affairs and formulate a proposal to creditors. During this time, the Company continues to carry on business and is not bankrupt.

On February 14, 2020, at a meeting of creditors, the creditors accepted the Company's formal Proposal to settle outstanding debts. As a result of the meeting, the Proposal Trustee will seek Court approval of the Proposal, which, if approved, will remove approximately $3.3 million in debt from the Company's balance sheet. Due to the COVID-19 Court closure, the Company has been unable to seek Court approval of the Proposal at this time but intends to do so at the earliest reasonable opportunity.

While Mr. Kapadia has the right to appeal the Proposal Trustee's decision, the Company believes his chances of success on appeal are minimal.

The Company previously brought a motion in the Ontario Superior Court of Justice - Commercial List to enforce the settlement reached with Mr. Kapadia on January 22, 2020. Mr. Kapadia has denied the existence of such a settlement. A significant portion of that settlement involved the Related Party Debt referred to above. Since the Related Party Debt has been extinguished by the creditor meeting, the settlement has become moot and, therefore, the Company has abandoned its motion to enforce the settlement.

On February 24, 2021, The Honourable Mr. Justice Cavanagh of The Ontario Superior Court of Justice (Commercial Court) granted an order approving the proposal put forward by the Company on January 24, 2020 and as approved by the creditors on February 14, 2020.

(d) Injunction

On December 11, 2019, the former CEO, Mr. Kapadia, also brought an Application in the Commercial Court seeking, among other things, an order that the results of the December 11, 2020 meeting be set aside on the basis that the meeting was not properly called. At the same time, he also brought an emergency interlocutory injunction motion seeking to have the previous Board and Mr. Kapadia put back in control of the Company pending the hearing of the Application (the "Toronto Litigation").

Mr. Kapadia's motion for emergency injunctive relief was ultimately adjourned to and heard on December 18, 2019 by the Hon. Madam Justice Conway of the Commercial Court. Her Honour dismissed Kapadia's motion for injunctive relief and ordered that the Application be scheduled for a full hearing on the merits on January 22, 2020 before the Commercial Court. Until heard, Her Honour ordered that the Board of Directors elected at the Meeting continue to operate the Company in the ordinary course of business. Due to COVID-19 issues, the matter has yet to be heard.

The Company and Mr. Kapadia have now reached an agreement which will see Mr. Kapadia's Application dismissed on consent.

(e) Resignation of December Board and Appointment of New Board

The Interim Board of Directors, elected at a Special General Meeting of shareholders held December 11, 2019, consisting of Mr. Birks Bovaird, Director and Chair of the Board, Peter Clausi, Brian Crawford, Ali Jomaa, Stephen Coutts, Zachary Goldenberg, and Randy Hoback, resigned as directors of the Corporation, effective April 30, 2020.

22. SUBSEQUENT EVENTS (Cont'd)

Mr. Gurdip Panaich, Chairman of the Board, Mr. Anoop Brar, Chairman of the Audit Committee, Mr. Jean-Louis Larmor, Dr. Darrin T. Milne, and Mrs. Pawandeep Athwal were appointed directors of the Company effective April 30, 2020, to serve until the next Annual and General Meeting of Shareholders or until their successors are elected or appointed.

(f) Resignation of CEO and Appointment of New CEO

On April 30, 2020, Peter M. Clausi, the Interim Chief Executive Officer resigned and Mr. Jean-Louis Larmor, formerly the Vice President, Corporate Development, and President of the Company's subsidiary, Star-Isoneo Inc., was named Interim Chief Executive Officer. Mr. Jean-Louis Larmor resigned as Interim Chief Executive Officer on July 23, 2020 and Mr. Amir Bhatti was named Chief Executive Officer on September 16, 2020.

(g) Partial Revocation FFCTO

On May 21, 2020, the Ontario Securities Commission (the "OSC") partially revoked the cease trade order (the "CTO") issued against the Company on November 1, 2019 for failing to file certain outstanding continuous disclosure documents in a timely manner.

The Company applied for the partial revocation order ("Partial Revocation Order") in order to complete an exempt non-brokered private placement (the "Financing"). On October 13, 2020, the Company completed its non-brokered private placement (the "Private Placement") of 41,634,000 units (the "Private Placement Units") at a purchase price of $0.025 per Unit for gross proceeds of $1,040,850. Each Private Placement Unit will consist of 1 common share and 1 warrant to purchase 1 common share, exercisable at a price of $0.05 for 2 years from the date of issuance. Finders fees in the amount of 10% of the gross proceeds were paid. All securities are subject to a statutory four month hold period.

On October 13, 2020 the Company converted $1,156,760 of debt (the "Debt Conversion") held by certain shareholders into 57,838,000 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at a deemed price of $0.02 per Debt Conversion Unit and consist of 1 common share and 1 warrant to purchase 1 common share, exercisable at a price of $0.05 for 2 years months from the date of issuance. All securities are subject to a statutory four month hold period.

The proceeds of the Private Placement and Debt Conversion will be used to pay outstanding fees owed to the Company's auditors as well as for other general working capital purposes. Completion of the Private Placement will allow the Company to prepare and file all outstanding continuous disclosure documents with the applicable regulatory authorities. Once those filings have been completed, the Company will apply for a full revocation of the CTO.

Prior to completion of the Financing, each potential investor received a copy of the CTO and the Partial Revocation Order, and was required to provide an acknowledgement to the Company that all of the Company's securities, including the shares and warrants issued in connection with the Financing, will remain subject to the CTO until such order is fully revoked, and that the granting of the Partial Revocation Order by the OSC does not guarantee the issuance of a full revocation order in the future. In addition, in accordance with applicable securities legislation, all common shares and warrants issued pursuant to the Financing will be subject to a hold period of four months and a day from the closing date of the Financing.

The Partial Revocation Order terminated on the completion of the Financing on October 13, 2020.

22. SUBSEQUENT EVENTS (Cont'd)

(h) Lawsuits

On or about October 16, 2020, the CNESST (commission on workplace standards, fairness, health and safety) in Quebec, Canada, on behalf of certain employees, instituted a civil action against the Company and one of its subsidiaries, Star-Isoneo Inc. before the Superior Court in Montreal, Quebec. The CNESST is claiming a total amount of $390,961.43 against both the Company and Star-Isoneo Inc. The amount consists of unpaid fees of $3,983.18, unpaid salary of $306,480.81 and unpaid vacation pay of $15,427.20. In addition to the above amounts and under Article 114 of the *Act Respecting Labour Standards,* the CNESST is also claiming 20% of the total amount of the claim representing the amount of $65,160.24, as fees. This is an amount owed directly to the CNESST. The majority of the amounts under the claim above are for periods in 2019, a portion of which are covered by the bankruptcy procedures as outlined above.

On or about November 20, 2020, the CNESST, on behalf of a former employee, instituted a civil action against the Company and its subsidiary, Star-Isoneo Inc. before the Court of Quebec in Montreal, Quebec. The sums claimed amount to $9,454.55 and represent unpaid wages for the period escalating from March 1, 2020 to April 3, 2020. In addition to the above amount, the CNESST is also claiming 20% of the total amount of the claim representing the amount of $1,890.91, as fees. This is an amount owed directly to the CNESST. This claim represents the second monetary claim filed by the former employee. The former employee is also part of the first action mentioned above, but the amounts claimed in this action are different since they relate to a different period.

On or about October 16, 2020, Mr. Jean-Louis Larmor, the Company's former interim Chief Executive Officer, and Vice-President, Corporate Development filed various complaints against the Company and its subsidiary, Star-Isoneo Inc., including a monetary complaint for amounts owed to Mr. Larmor, a prohibited practice (in accordance with Article 122 of the *Act Respecting Labour Standards*), and a dismissal without just and sufficient cause (in accordance with Article 124 of the *Act Respecting Labour Standards*). At this stage, it is the opinion of the Company's legal counsel that it is not possible to assess the amount of money that these claims represent until further details regarding the amount claimed have been provided by CNESST. With respect to the complaints for prohibited practice and of dismissal, if Mr. Larmor's complaint were to be accepted by the tribunal, he would be entitled to full retroactive salary between the date of his reinstatement and the date of his termination of employment, in addition to other potential damages.

On or about October 19, 2020 and October 27, 2020, two complaints against the Company and its subsidiary, Star-Isoneo Inc. were brought by two former employees. The complaints are for an amount owed to each employee (monetary complaint); and a dismissal without just and sufficient cause (in accordance with Article 124 of the *Act Respecting Labour Standards*). At this stage, it is the opinion of the Company's legal counsel that it is not possible to assess the amount of money that these complaints represent until further details regarding the amounts claimed have been provided by CNESST. With respect to the complaints for dismissal, if the employee's complaint were to be accepted by the tribunal, the employee would be entitled to retroactive full salary between the date of reinstatement and the date of termination of employment, in addition to other potential damages.

22. SUBSEQUENT EVENTS (Cont'd)

(i) Private Placement

On September 6, 2019, the Company closed a non-brokered private placement, having issued 3,146,667 units of the Company (the "Units") at a price per Unit of $0.0375 for gross proceeds of $118,000. Each Unit consists of one common share in the capital of the Company and one warrant. Each warrant entitles the holder to purchase one additional common share of the Company at $0.05 cents per warrant exercised. The warrants are exercisable during the two (2) year period from the date of issue. In addition, the Company has agreed to pay finder's fees in the amount of 157,333 Units valued at $5,900.00.

(j) COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact they will have on the Company's s financial position and results of operations for future periods.

Due to the COVID-19 pandemic and the resulting mandatory closure of businesses in March 2020, and with airline fleets being grounded worldwide, the Company was forced to lay off employees and terminate contractors effective April 6, 2020. Senior management has continued to work on a limited resources basis.

The Company is closely monitoring progress in the fight against the COVID-19 pandemic and the staged safe reopening of business with respect to its Ontario and Quebec operations. As with many companies, Star has utilized this forced hiatus in order to reassess its operational requirements, streamline its product and service delivery methodology and refocus its sales strategy.