

Star Navigation Systems Group Ltd.

Interim Consolidated Financial Statements

For the three month periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

NOTICE TO READER

The accompanying interim 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
November 29, 2021

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Financial Position
As at September 30, 2021 and June 30, 2021
(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2021	June 30, 2021
Assets		
Current		
Cash	\$ 7,587	\$ 276,921
Accounts receivable (Note 4)	31,380	24,020
Inventory	21,225	-
Loans receivable (Note 5)	31,555	81,555
Sales tax recoverable (Note 6)	49,797	187,366
Prepaid expenses and deposits	81,798	82,368
Total current assets	223,342	652,230
Non-current assets		
Property and equipment (Note 7)	59,924	63,328
Right-of-use assets (Note 8)	769,826	795,485
Total non-current assets	829,750	858,813
Total assets	\$ 1,053,092	\$ 1,511,043
Liabilities and Shareholders' Deficiency		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 1,038,362	\$ 971,536
Lease liability – current portion (Note 10)	66,254	66,254
Loans payable – current portion (Note 11)	1,452,500	1,427,500
Due to creditors under the terms of the NOI (Note 12)	900,000	900,000
Deferred revenue	32,929	32,929
Due to related parties (Note 17)	492,819	453,819
Total current liabilities	3,982,864	3,852,044
Non-current liabilities		
Lease liability (Note 10)	955,797	966,603
Loans payable (Note 11)	120,000	120,000
Total liabilities	5,058,661	4,938,647
Shareholders' Deficiency		
Share capital (Note 13)	41,231,343	41,231,343
Contributed surplus (Note 14)	18,534,696	18,534,696
Shares to be issued	401,469	401,469
Deficit	(64,173,077)	(63,595,111)
Total shareholders' deficiency	(4,005,569)	(3,427,603)
Total Liabilities and Shareholders' Deficiency	\$ 1,053,092	\$ 1,511,043
<i>Nature of Operations and Going Concern (Note 1)</i>		
<i>Litigation (Note 21)</i>		
<i>Subsequent Events (Note 24)</i>		

Approved by the Board _____
"Gurdip Panaich"
Director (Signed)

_____ **"Karl Reichert"**
Director (Signed)

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the three month periods ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

	September 30,	
	2021	2020
Revenue (Note 18)	\$ 7,360	\$ -
Expenses		
Cost of inventory consumed	7,481	8,627
General & administrative (Note 19)	209,487	162,249
Marketing & promotion (Note 19)	143,584	83,962
Product maintenance & Operating costs (formerly Research and Development (Note 19))	197,863	82,850
Foreign exchange loss	2,280	456
	560,695	338,144
Loss from operations	(553,335)	(338,144)
Other (expenses)		
Interest expense – lease liability (Note 10)	(24,631)	(25,427)
	(24,631)	(25,427)
Net loss and comprehensive loss for the period	\$ (577,966)	\$ (363,571)
Basic and diluted loss per common share	\$ (0.001)	\$ (0.001)
Weighted average number of common shares outstanding	622,975,832	527,587,525

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Changes in Shareholders' Deficiency
As at September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Number of Series I preferred shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total
Balance at June 30, 2020	519,340,432	615,000	\$ 40,629,718	\$ 5,900	\$ 17,334,280	\$ (63,148,952)	\$ (5,179,054)
Issued for cash on private placement (Note 13(a))	41,634,000	-	1,040,850	-	-	-	1,040,850
Issued as finder's fees on private placement (Note 13(a))	4,163,400	-	104,085	-	-	-	104,085
Issued as shares for debt (Note 13b))	57,838,000	-	1,156,760	-	-	-	1,156,760
Share issuance costs (Note 13(a))	-	-	(104,085)	-	-	-	(104,085)
Net loss for the period	-	-	-	-	-	(363,571)	(363,571)
Balance at September 30, 2020	622,975,832	615,000	\$ 42,827,328	\$ 5,900	\$ 17,334,280	\$ (63,512,523)	\$ (3,345,015)
Balance at June 30, 2021	622,975,832	615,000	\$ 41,231,343	\$ 401,469	\$ 18,534,696	\$ (63,595,111)	\$ (3,427,603)
Net loss for the period	-	-	-	-	-	(577,966)	(577,966)
Balance at September 30, 2021	622,975,832	615,000	\$ 41,231,343	\$ 401,469	\$ 18,534,696	\$ (64,173,077)	\$ (4,005,568)

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Cash Flows
For the three month periods ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

	September 30,	
	2021	2020
Operating activities		
Net Loss	\$ (577,966)	\$ (363,571)
Items not affecting cash:		
Amortization of property and equipment	4,458	(320)
Depreciation of right-of-use assets	25,659	25,659
Interest on Lease liability	10,807	-
Director's fees	39,000	-
	(498,041)	(338,232)
Changes in non-cash working capital items:		
Accounts receivable	(7,360)	(99,800)
Inventory	(21,225)	-
Sales tax recoverable	137,569	(22,781)
Prepaid expenses and deposits	570	-
Other receivables	50,000	-
Accounts payable and accrued liabilities	66,816	(293,788)
Net cash used by operating activities	(271,671)	(754,601)
Investing activities		
Purchase of property and equipment	(1,055)	-
Net cash used by investing activities	(1,055)	-
Financing activities		
Lease liability	(21,608)	(4,387)
Deposit on Private Placement subscription	25,000	-
Due to related parties	-	29,260
Issuance of common shares (net of share issuance costs)	-	945,850
Net cash provided by financing activities	3,392	970,723
Net change in cash	(269,334)	216,121
Cash (Bank indebtedness), beginning of period	276,921	(29,880)
Cash, end of period	\$ 7,587	\$ 246,002
Supplemental Disclosure		
Interest paid	\$ 21,608	\$ 25,427
Issuance of units for finder's fees	-	104,085

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

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 interim unaudited consolidated 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 \$577,966 for the three month period ended September 30, 2021 (September 30, 2020 – loss of \$363,571), has an accumulated deficit of \$64,173,077 (June 30, 2021 - \$63,595,111) and has negative working capital of \$3,759,522 (June 30, 2021 – \$3,199,814). 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 interim unaudited consolidated 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.

Notice of intention to make a proposal

On December 11, 2019, the former CEO of the Company 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"). The Company put forth a proposal on January 24, 2020 to the Proposal Trustee and creditors.

On February 14, 2020, at a meeting of creditors, the creditors accepted the Company's formal Proposal to settle outstanding debts. 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.

As a result the Company removed approximately \$1.94 million in debt from the Company's balance sheet, including approximately \$2.32 million due to related parties.

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. This order was revoked on November 24, 2021.

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
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2. BASIS OF PRESENTATION

(a) Statement of Compliance

These interim consolidated 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 unaudited interim consolidated financial statements for the three months ended September 30, 2021 and 2020 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2021. The same accounting policies and methods of computation were followed in the preparation of these interim 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, 2021.

(b) Basis of Measurement

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

(d) Basis of Consolidation

These unaudited interim consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Star Navigation Systems Inc. ("Star"), Star Navigation Systems (Quebec) Inc., and Star Navigation Systems (U.K) Ltd. and its non-wholly owned subsidiary Star-Isoneo Inc. The Company exercises 100% control over each of its subsidiaries and 80% control over its non-wholly owned subsidiary, Star-Isoneo Inc. The non-controlling interest related to Star-Isoneo Inc. has been deemed to be immaterial by management. Star Navigation Systems (Quebec) Inc. and Star Navigation Systems (U.K) Ltd. are inactive. The financial statements of its subsidiaries are included in the unaudited interim 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 unaudited interim consolidated 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 unaudited interim consolidated 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.

2. BASIS OF PRESENTATION (Cont'd)

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

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

(i) Useful lives and impairment of property and equipment and right-of-use assets:

Property and equipment 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 property and equipment and intangible assets and the amount of depreciation and impairment expenses.

(ii) 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.

(iii) 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 September 30, 2021 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.

(iv) 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.

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

Furniture and equipment	- 20% per annum, declining balance
Computer equipment and software	- 50% per annum, declining balance

Intangible Assets

(a) License Rights

The Company owns the exclusive, worldwide license to the patented technology upon which its STAR-ISMS® product is based. Payment in full in respect of the purchase of the license rights has been made. Ongoing costs represent out-of-pocket costs for various license applications and processing. Costs directly attributable to the license rights are amortized on a straight-line basis over the estimated useful life of 5 years. Costs of renewals of licenses in foreign jurisdictions are amortized over the period of renewal.

(b) Star-MMI Technology and Patents

Costs directly related to the Company's patents have been capitalized and are being amortized on a straight-line basis over their estimated useful life of 7 years.

(c) Website Costs

Costs directly related to the Company's website design have been capitalized and are being amortized on a straight-line basis over their estimated useful life of 3 years.

(d) GUI System

The GUI system will allow STAR-ISMS® customers to view the airline flights and receive end of flight reports. This product was not 100% completed at June 30, 2021 and therefore no amortization was taken in 2021.

(e) STAR-ISMS® and Peripherals

Costs related to the STAR-ISMS® and Peripherals that are capitalized, are amortized on a straight-line basis over their estimated useful life of 3 years.

(f) Goodwill

Goodwill is the amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their assigned values. Goodwill is allocated as of the date of the business combination to the CGU that are expected to benefit from the business combination. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The Company recognizes the lease payments associated with these leases as an operating expense on a straight-line basis over the lease term.

Products maintenance and operating costs

Products maintenance and operating costs represent costs incurred in relation with the Company's STAR-A.D.S.® program. Those costs are expensed as incurred.

Revenue Recognition

Revenue from contracts with customers

Revenue is recognized at an amount that reflects the consideration to which the Issuer is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Issuer: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Revenue from STAR-A.D.S. ® contracts

STAR-A.D.S. ® contracts might include installation of the system, airtime monitoring, or both.

Performance obligation of the Issuer's STAR-A.D.S. ® system is considered completed when the installation of the system is complete, defined to be when the related equipment has been installed in a customer's aircraft or transportation vehicle, tested and accepted by the customer, and has received the necessary regulatory approvals. Installations are generally conducted by customers under the Issuer's management and supervision. In the event the customer chooses to manage the installation without the Issuer's supervision, performance obligation is considered completed when the product is delivered to the customer.

Performance obligation related to airtime services are considered complete as the services are performed based on airtime used by the customer. The customer is billed at the end of each month.

In the event that the Issuer's STAR-A.D.S. ® and airtime are sold as a bundled package, the Issuer allocates the contract consideration to the performance obligations based on their relative stand-alone price, as determined by reliable objective evidence. Objective evidence of relative stand-alone selling price based on the price charged when the elements are sold separately, which is in accordance with the Issuer's standard price list.

Revenue from MMI contracts

Performance obligation for repairs and maintenance of STAR-MMI flat panel displays units are considered completed when the unit has been repaired and shipped to the customer.

Revenue from Consulting contracts

Performance obligation related to consulting services provided to customers for planning and assistance in the Research and development projects undertaken or joint ventures done in conjunction with other Companies are considered complete as the services are performed by the consultants.

Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the period 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

A provision is recognized on the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share Capital

Common shares and preferred shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise share options and warrants issued by the Company. The outstanding share options and warrants are not included in the diluted net loss per common share as they are anti-dilutive for all periods presented.

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value-based method of accounting to all stock-based payments. Accordingly, stock-based payments for employees are measured at the fair value of the equity instruments issued and stock-based payments for non-employees are measured at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. Each tranche is considered a separate award with its own vesting period and fair value. Stock-based compensation is charged to the statement of comprehensive loss over the tranche's vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Warrants

For transactions involving the issuance of warrants, the Company measures these transactions by reference to the fair value of the equity instruments granted. In the case of unit placements, the Company uses the Black-Scholes option pricing model to calculate the fair value of warrants issued. The proceeds from the issuance of units is allocated between common shares and warrants on a residual basis based the fair values of the warrants. Share issuance costs incurred in connection with the issuance of share capital are netted against the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income or loss in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial Instruments

Recognition and Derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights to receive cash flows have expired or substantially all risks and rewards of ownership have been transferred.

Classification

Financial assets and liabilities are classified in the following measurement categories: i) those to be measured subsequently at fair value (either through profit or loss or through other comprehensive income), and ii) those to be measured subsequently at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss. For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Classification of financial assets or financial liabilities at fair value through either profit or loss or other comprehensive income, is an irrevocable designation at the time of recognition.

Financial assets are reclassified when, and only when, the Company's business model for managing those assets changes. Financial liabilities are not reclassified.

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Notes to Interim Consolidated Financial Statements
At September 30, 2021 and 2020
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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

The Company has implemented the following classifications:

Cash, accounts receivable, sales tax recoverable and loans receivable are classified as subsequently measured at amortized cost.

Accounts payable and accrued liabilities, other payables, Due to creditors under the terms of the NOI, loans payable and due to related parties are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of that instrument. Transaction costs of financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income or loss.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Each financial asset measured at amortized cost is assessed for impairment under an expected credit loss ("ECL") model. The Company applies the simplified approach for trade receivables, which uses lifetime ECL's and the general approach for all other receivables. The Company uses an accounts receivable aging provision matrix to measure the ECL, applies losses factors to aging categories greater than 90 days past due. Allowance for expected credit losses assessment require a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue and makes assumptions to allocation an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of comprehensive loss.

Non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives and intangible assets with definite useful lives that have not been put into use yet are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of its value in use and fair value less costs of disposal, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss in respect of other assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Adoption of new accounting policies

The Company has adopted all the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are mandatory for the current reporting period, which did not have a significant impact on the Company.

Any new or amended Accounting Standard or Interpretations that are not yet mandatory have not been early adopted.

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

4. ACCOUNTS RECEIVABLE

Accounts receivable are collected on a regular basis.

	September 30, 2021	June 30, 2021
Accounts receivable	\$ 100,450	\$ 93,090
Less: AFDA	69,070	69,070
Balance	\$ 31,380	\$ 24,020

The current aging of the accounts receivables outstanding at September 30, 2021 is \$31,380 (June 30, 2021 - \$24,020).

Current	1 - 30	31 - 60	61 - 90	91+	Total
\$ 5,173	\$ -	\$ 2,188	\$ 2,428	\$ 21,591	\$ 31,380
\$ 5,173	\$ -	\$ 2,188	\$ 2,428	\$ 21,591	\$ 31,380

The Company mitigates non-collection of accounts receivables through its assessment of customers prior to sales being made and managing customers with a hands-on approach after sale to keep on top of any customer concerns or problems that may lead to non-payment.

Receivables are only written off after all avenues of reconciliation have been attempted with its customers.

5. LOANS RECEIVABLE

	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
Loans from former Employees (a)	\$ 31,555	\$ 31,555
Receivable from bank (b)	-	50,000
	\$ 31,555	\$ 81,555

- (a) The Company loaned money to certain employees during the June 30, 2020 fiscal year. These loans are unsecured, non-interest-bearing and have no set terms of repayment.
- (b) The Company had a liability to TD Canada Trust ("TD") as a result of an overdraft liability on one of its accounts. The amount was recovered by TD in error instead of through the NOI process. The money was repaid to the Company by TD on September 3, 2021.

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6. SALES TAX RECOVERABLE

Sales tax recoverable is due from the Government of Canada in relation to Harmonized Sales Tax refunds, which as at September 30, 2021 amounted to \$49,797 (June 30, 2021 - \$187,366).

7. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment and Software	Total
Cost			
Balance at June 30, 2021	\$ 324,807	\$ 505,824	\$ 830,631
Additions	-	1,055	1,055
Balance at September 30, 2021	\$ 324,807	\$ 506,879	\$ 831,686
Accumulated Amortization			
Balance at June 30, 2021	\$ 277,826	\$ 489,477	\$ 767,303
Amortization for the period	2,350	2,109	4,459
Balance at September 30, 2021	\$ 280,176	\$ 491,586	\$ 771,762
Carrying Amounts			
At June 30, 2021	\$ 46,981	\$ 16,347	\$ 63,328
At September 30, 2021	\$ 44,631	\$ 15,293	\$ 59,924

8. RIGHT-OF-USE ASSETS

The Company has recognized a right-of-use asset in respect of its premises lease. The following is a continuity of the right-of-use asset:

	September 30, 2021		June 30, 2021	
Cost				
Opening Balance	\$	1,026,307	\$	1,026,307
Additions		-		-
Balance	\$	1,026,307	\$	1,026,307
Accumulated Depreciation				
Opening Balance	\$	230,822	\$	153,946
Amortization		25,659		76,876
Balance	\$	256,481	\$	230,822
Carrying Amounts				
At June 30, 2020			\$	795,485
At September 30, 2021	\$	769,826		

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
Trade payables (a)	\$ 117,761	\$ 125,014
Accrued liabilities (b)	920,601	846,522
	\$ 1,038,362	\$ 971,536

(a) Trade payables are amounts incurred in the normal everyday operation of the business.

(b) Accrued liabilities include amounts for salary accruals related to the pre-NOI period totaling \$93,230 along with CRA payroll deductions of \$288,762 and interest expense of \$281,733 with other accruals making up the balance.

10. LEASE LIABILITY

The Company leases its premises under a lease agreement expiring on December 31, 2028, which was recognized at a discount rate of 10%. The following is a continuity of activity in leases during the year:

	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
Opening balance	\$ 1,032,857	\$ 1,018,516
Payments made	(35,437)	(130,508)
Interest on lease liabilities	24,631	144,849
Balance	1,022,051	1,032,857
Current portion	(66,254)	(66,254)
Long-term	\$ 955,797	\$ 966,603

The following table outlines the total contractual undiscounted lease payments at September 30, 2021:

2022	\$ 131,753
2023	194,345
2024	196,067
2025	199,506
2026	206,385
Thereafter	531,440
Less: future interest expense	(437,445)
Total lease liabilities at Sept 30, 2021	\$ 1,022,051

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11. LOANS PAYABLE

	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
Canadian Emergency Business		
Account loan (a)	\$ 120,000	\$ -
Loan payable (b)	\$ 1,452,500	\$ 1,427,500

- (a) The Company received loans and subsidies from the Canadian Federal Government in February 2021. The Canadian Emergency Business account loan ("CEBA") is an interest-free loan with no principal payments until December 31, 2022. If the Company repays \$80,000 of the total loan prior to December 31, 2022 then the balance of \$40,000 will be forgiven. If the balance is not paid by December 31, 2022 then the balance of the loan is converted to a three (3) period term loan with interest at 5% starting on January 1, 2023. The balance of the loan must be paid no later than December 31, 2025.
- (b) The Company received loans from shareholders to enable it to complete its re-listing on the Canadian Stock Exchange where it has been suspended since Nov 2, 2019 for failure to file its Annual Audited Financial Statements and Management Discussion and Analysis. These loans bear interest at 18% per annum, are unsecured and have no set terms for repayment.

12. DUE TO CREDITORS

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.

The proposal provides for \$90,000 for unsecured creditor claims as at January 24, 2020 and \$65,223 for secured creditors claims.

As part of the approval there is an amount due the unsecured creditors of \$900,000 that will be paid out in the form of common stock of the Company after the Ontario Securities Commission ("OSC") revokes the Company's failure to file cease trade order ("FFCTO"). The number of common shares to be distributed will be based on a four (4) month weighted average of the share price upon resumption of trading.

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13. 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 1, 2020, the Company closed a non-brokered private placement issuing 41,634,000 units of the Company (the "Units") at a price per unit of \$0.025 for gross proceeds of \$1,040,850, of which \$95,000 had been received in 2020. 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 4,163,400 units valued at \$104,085.
- (b) On September 1, 2020, the Company closed a common shares for debt transaction issuing 57,838,000 units of the Company (the "Units") at a price per unit of \$0.02 for gross proceeds of \$1,156,760. 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.
- (c) As part of the approval of the creditor proposal relating to the Notice of Intention to file a Proposal event ("NOI") there is an amount due the unsecured creditors of the NOI of \$900,000 that will be paid out in the form of common stock of the Company after the Ontario Securities Commission ("OSC") revokes the Company's failure to file cease trade order ("FFCTO"). The number of common shares to be distributed will be based on a four (4) month weighted average of the share price upon resumption of trading.

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14. 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 2021, the Company amended the Plan whereby the number of common shares to be issued under the Plan is not to exceed 50,000,000 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, 2021	400,000	\$0.10	\$0.10
Options expired	-		
Balance at September 30, 2021	400,000		\$0.10
Exercisable at September 30, 2021	400,000		\$0.10

The Company recognized \$Nil of stock-based compensation for the period ended September 30, 2021 (June 30, 2021 - \$Nil).

As at September 30, 2021, 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
January 21, 2019	400,000	400,000	\$0.10	January 14, 2023
	400,000	400,000		

The weighted average remaining contractual life of the outstanding options is 1.25 years (June 30, 2021 – 1.54 years).

Warrants

The accounting policy the Company uses for the share purchase warrants follows the guidelines of IAS 32 – Financial Instruments. The Company used the relative fair value method to allocate fair value into its common share component and warrants component.

Warrants that have been issued in combination with common shares under private placement or similar equity financing arrangements are evaluated under IAS 32 – Financial Instruments: Presentation. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer’s functional currency is exchanged for a fixed number of shares.

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

Warrants are given a Fair Value using the Black-Scholes calculation taking into account several factors including but not limited to share price on the date of warrant grant, strike price, estimated life and interest rate on date of grant.

	Number	Weighted-Average Exercise Price	Expiry Date
Balance at June 30, 2021	157,414,067	\$0.06	
Issued	-		
Expired	-		
Balance at September 30, 2021	157,414,067	\$0.06	

As at September 30, 2021, the Company had warrants issued and outstanding as follows:

	Warrants Issued	Exercise Price	Expiry Date
April 27, 2020	3,766,667	\$0.07	April 2, 2023
September 5, 2020	46,708,000	\$0.07	September 5, 2023
September 11, 2020	3,304,000	\$0.05	September 11, 2023
September 1, 2020	45,797,400	\$0.05	September 1, 2022
September 1, 2020	57,838,000	\$0.05	September 1, 2022
	157,414,067		

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

	September 30, 2021 (Unaudited)	June 30, 2021 (Audited)
Expected dividend yield	-	-
Risk free interest rate	-	0.50%
Expected volatility	-	153%
Expected life	-	2.0 years
Share price	-	0.05

Expected volatility is based on historical data.

The Company revalued and extended some of its outstanding warrants in March 2021 (See Note 25). This revaluation of warrants resulted in an adjustment of \$446,719 in the year ended June 30, 2021.

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

Basic and diluted loss per common share based on net loss for the three month period ended September 30, 2021:

	September 30, 2021	September 30, 2020
Numerator:		
Net loss for the period	\$ (577,966)	\$ (363,571)
Denominator:		
Weighted average number of common shares outstanding - basic	622,975,832	527,587,525
Weighted average number of common shares outstanding - diluted	622,975,832	527,587,525
Loss per common share based on net loss for the period:		
Basic	\$ (0.001)	\$(0.001)
Diluted	\$ (0.001)	\$(0.001)

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 September 30, 2021:

	September 30, 2021	June 30, 2021
Common shares outstanding	622,975,832	622,975,832
Warrants to purchase common shares	157,414,067	157,414,067
Shares to be issued	17,904,960	17,904,960
Stock options to purchase common shares	400,000	400,000
Fully diluted common shares outstanding	798,694,859	798,694,859

15. MANAGEMENT OF CAPITAL

The Company considers its capital to include the components of equity attributable to common shareholders which amounts to a deficit of \$4,005,569 at September 30, 2021 (June 30, 2021 - (\$3,427,603)) 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 management of capital strategy during the period ended September 30, 2021.

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16. 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:

	September 30, 2021	June 30, 2021
Cash	\$ (20)	\$ (20)
Accounts receivable	31,380	24,020
Accounts payable	(4,909)	(7,493)
	\$ 26,451	\$ 16,507

Based on the Company's net exposure to US denominated instruments at September 30, 2021 and June 30, 2021, 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.

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16. 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 September 30, 2021, approximately \$21,591 (June 30, 2021 - \$15,404) of the Company's receivables were past due the average credit period of 90 days. As at September 30, 2021, the Company's allowance for doubtful accounts was \$69,070 (June 30, 2021 - \$69,070) and bad debts expense for the three month period ended September 30, 2021 was \$Nil (September 30, 2020 - \$Nil).

(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.

At September 30, 2021, the Company has current liabilities of \$3,982,864 (June 30, 2021 - \$3,852,044) due within 12 months and cash of \$7,587 (June 30, 2021 - \$276,921). At September 30, 2021, the Company has a working capital deficiency of \$3,759,523 (June 30, 2021 - \$3,199,814) 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 September 30, 2021.

17. RELATED PARTY TRANSACTIONS

The Company has accrued and carries a 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, and monthly compensation accrued for its directors and committee chairpersons that have accumulated over the past several years.

- (a) The Company had an exclusive license agreement in place with a company owned and controlled by its Former CEO and Former Chairman of the Board regarding the use of patents related to the STAR-ISMS® technology. This license agreement expired in July 2021 upon expiration of the life of the Patents. The Company is continuing use of the technology and know-how associated with its products and is not dependent on the Patent.

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17. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) Amounts due to related parties at September 30, 2021 is \$1,945,319 (June 30, 2021 - \$1,881,319) and is comprised of the following:

	Sept 30, 2021	June 30, 2021
Due to Directors	\$ 222,000	\$ 192,000
Due to Committee Chairpersons	32,000	23,000
Due to Former Chief Executive Officer – Viraf Kapadia ⁽ⁱ⁾	65,224	65,224
Due to Former Chief Operating Officer – J. Larmor	173,595	173,594
Due to Shareholders ⁽ⁱⁱ⁾	1,452,500	1,427,500
	\$ 1,945,319	\$ 1,881,319

- (i) An amount of \$Nil (June 30, 2021 - \$Nil) of the balance bears interest at 5% per annum; Interest accrued on the loan payable to the CEO for the period ended Sept 30, 2021 was \$Nil (June 30, 2021 – \$Nil). There is a deposit of \$50,000 against the secured creditor claim. All unsecured amounts were written down as per the acceptance of the Notice of Intention to Make a Proposal Event on February 24, 2021. (See Note 1)
- (ii) During the year ended June 30, 2021, various shareholders of the Company advanced funds to the Company for working capital purposes. The amounts due to shareholders are unsecured, bear interest at a rate of 18% per annum and are without any specified terms of repayment.
- (c) Compensation to key management personnel, directors and committee chairpersons included in in the consolidated statement of loss and comprehensive loss was as follows for the period ended September 30, 2021:

	September 30, 2021	September 30, 2020
Chief Executive Officer	\$ 43,750	\$ 28,050
Chief Operating Officer	-	14,583
Chief Financial Officer	22,500	22,500
Board of Director fees, credited to Due to related parties	30,000	26,000
Committee Chairperson fees, credited to Due to related parties	9,000	3,000
	\$ 105,250	\$ 94,133

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18. SIGNIFICANT CUSTOMER

During the period ended September 30, 2021, Nil% (September 30, 2020 – Nil%) of the revenue was generated from Star-MMI sales and Nil% (September 30, 2020 - Nil%) from repairs and maintenance services on STAR-MMI flat panel display units, which is recognized at a point in time. Remaining sales were recognized over time. During the period ended September 30, 2021, 100% (September 30, 2020 - Nil%) of the revenue was generated from one customer. During the period ended September 30, 2021, 100% (September 30, 2020 - Nil%) of the revenue recognized during the period was generated from customers located in the United Arab Emirates.

19. EXPENSE DISCLOSURES

	September 30, 2021	September 30, 2020
General and Administrative		
Accounting fees	\$ 22,500	\$ 22,500
Amortization expense (Note 8)	25,659	25,659
Bad debt expense	-	-
Bank charges and interest expense	(2,097)	3,101
Board and committee fees	39,000	29,000
Filing and other fees	15,618	4,966
Insurance	15,598	14,741
Office and general	28,096	9,471
Professional fees	14,000	(13,273)
Wages	51,113	66,084
Total G&A expenses	\$ 209,487	\$ 162,249
Product maintenance and Operating costs		
Amortization expense (Note 7)	\$ 4,459	\$ 4,363
Research and development costs	7,506	-
Travel costs	928	833
Wages	184,970	77,654
Total Product maintenance and Operating expenses	\$ 197,863	\$ 82,850
Marketing and Promotion		
Consultant costs	\$ 109,324	\$ 29,777
Investor relations	-	54,185
Advertising	6,313	-
Wages	27,892	-
Travel costs	55	-
Total M&P expenses	\$ 143,584	\$ 83,962

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. LITIGATION

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-Isonéo Inc. before the Superior Court in Montreal, Quebec. The CNESST is claiming a total amount of \$390,961 against both the Company and Star-Isonéo Inc. The amount consists of unpaid fees of \$3,983, unpaid salary of \$306,481 and unpaid vacation pay of \$15,427. 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, as fees. This is an amount owed directly to the CNESST. The majority of the amounts under the claim above are for periods in 2021, 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-Isonéo Inc. before the Court of Quebec in Montreal, Quebec. The sums claimed amount to \$9,455 and represent unpaid wages for the period escalating from March 1, 2021 to April 3, 2021. In addition to the above amount, the CNESST is also claiming 20% of the total amount of the claim representing the amount of \$1,891, 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. The Company has accrued \$5.5K for this action.

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-Isonéo 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*). The Company has accrued \$173K towards Mr. Larmor's claim.

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.

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21. LITIGATION (Cont'd)

On or about October 19, 2020 and October 27, 2020, two complaints against the Company and its subsidiary, Star-Isonéo 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*). The Company has accrued \$36K (net of \$31K owed to the Company by these employees)

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. WARRANT REPRICING AND EXTENSIONS

On March 30, 2021, the Company announced that, subject to Canadian Securities Exchange approval, it is extending the terms and reducing the exercise prices of the following share purchase warrants as follow:

(i) 46,708,000 share purchase warrants issued pursuant to a private placement announced on September 5, 2018 exercisable at \$0.065 per share purchase warrant and expiring on September 5, 2021 will now expire on September 5, 2023 and be exercisable at \$0.05 per share purchase warrant.

(ii) 3,766,667 share purchase warrants issued pursuant to a private placement announced on April 26, 2018 exercisable at \$0.07 per share purchase warrant and expiring April 2, 2021 will now be extended and expire on April 2, 2023 and be exercisable at \$0.05 per share purchase warrant.

(iii) 3,147,667 share purchase warrants issued pursuant to a private placement announced on September 6, 2019 issued at \$0.05 per share purchase warrant and expiring September 4, 2021 will now be extended and expire on September 4, 2024 and still be exercisable at \$0.05 per share purchase warrant.

The warrant modification resulted in an amount of \$446,319 being transferred from share capital to contributed surplus. The estimated fair value of the warrant modification was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants, considering the modified strike price

The assumptions used were as follows for the two periods respectively: no expected dividend yield, 153% and 96% to 126% expected volatility, 0.50% and 1.50% to 2.05% risk-free interest rate and 2 years warrant expected life.

23. 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.

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 subsequently recalled most of its employees on September 1, 2020 at reduced salaries in order to help the Company preserve cash.

The Company continues to push its STAR-A.D.S.® System product and has not slowed down its sales strategy due to COVID-19, although travel has been necessarily restricted. The Company is enhancing its sales strategy, hoping to leverage the fact that all new aircraft built after January 2023 have been mandated to have a flight tracking system (Global Aeronautical Distress & Safety System ("GADSS")) installed on its aircraft. Pre-2023 aircraft operators are being encouraged to follow suit but are not currently being mandated due to the losses suffered from COVID-19.

The Company recognizes that air travel will not return to pre-pandemic levels until sometime in 2022. However, with the roll-out of vaccines to combat COVID-19 happening in 2021, air travel by people is increasing and will continue to increase. Countries are now developing policies regarding travel by people to different countries and we see this trend increasing month by month. So, we feel that there will be no government restrictions regarding travel implemented that will affect business operations unless another Pandemic occurs.