Star Navigation Systems Group Ltd.

Interim Consolidated Financial Statements

For the three and nine months ended March 31, 2024 and March 31, 2023

(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
May 30, 2024

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Financial Position
As at March 31, 2024 and June 30, 2023
(Expressed in Canadian dollars)
(Unaudited)

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Assets				
Current				
Cash	$	**1,093,433**	$	1,047,564
Accounts receivable (Note 4)		**61,424**		60,561
Inventory		**160,128**		95,555
Sales tax recoverable (Note 5)		**165,474**		191,178
Prepaid expenses and deposits		**890,128**		311,348
Total current assets		**2,370,587**		1,706,206
Non-current assets				
Deposit on intangible assets		**171,762**		141,745
Property and equipment (Note 6)		**59,924**		70,498
Right-of-use assets (Note 7)		**503,807**		583,356
Total non-current assets		**735,493**		795,599
Total assets	$	**3,106,080**	$	2,501,805
Liabilities and Shareholders' Deficiency				
Current				
Accounts payable and accrued liabilities (Note 8)	$	**1,853,547**	$	1,147,490
Lease liability – current portion (Note 9)		**125,433**		114,797
Loans payable – current portion (Note 10)		**-**		275,000
Due to creditors under the terms of the NOI (Note 11)		**285,300**		285,300
Deferred revenue		**84,513**		84,513
Due to related parties (Note 16)		**463,224**		265,224
Total current liabilities		**2,812,017**		2,172,324
Non-current liabilities				
Lease liability (Note 9)		**653,910**		749,562
Loans payable (Note 10)		**120,000**		120,000
Total liabilities		**3,585,927**		3,041,886
Shareholders' Deficiency				
Share capital (Note 12)		**46,902,803**		45,752,193
Contributed surplus (Note 13)		**29,258,898**		26,474,955
Shares to be issued		**260,528**		260,528
Deficit		**(76,902,076)**		(73,027,757)
Total shareholders' deficiency		**(479,847)**		(540,081)
Total Liabilities and Shareholders' Deficiency	$	**3,106,080**	$	2,501,805

Nature of Operations and Going Concern (Note 1)

Litigations (Note 20)

Approved by the Board ***"Gurdip Panaich"*** ***"Randy Koroll"***

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

Star Navigation Systems Group Ltd.

Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine month periods ended March 31, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)

	3 months		9 months	
	2024	2023	**2024**	2023
Revenue (Note 17)	**$ 5,729**	$ 37,130	**$ 19,081**	$ 52,728
Expenses				
Cost of inventory consumed	**3,789**	-	**11,111**	8,930
General & administrative (Note 18)	**677,182**	386,628	**1,259,778**	1,022,425
Marketing & promotion (Note 18)	**1,097,866**	361,229	**1,859,420**	1,129,408
Product maintenance & Operating costs (Note 18)	**142,435**	162,210	**454,109**	578,238
Stock based compensation	**216,200**	-	**216,200**	-
Foreign exchange loss	-	626	**-**	443
	2,137,472	910,693	**3,800,618**	2,739,444
Loss from operations	**(2,131,743)**	(873,563)	**(3,781,537)**	(2,686,716)
Other income (expenses)				
Interest expense	**(9,875)**	(13,836)	**(30,750)**	(18,284)
Loss on debt settlement	**-**	(19,875)	**-**	(19,875)
Interest expense – lease liability (Note 9)	**(19,969)**	(22,722)	**(62,032)**	(70,042)
Net loss and comprehensive loss for the period	**$(2,161,587)**	$ (929,996)	**$ (3,874,319)**	$ (2,794,917)
Basic and diluted loss per common share	**$(0.002)**	$ (0.001)	**$(0.004)**	$ (0.003)
Weighted average number of common shares outstanding	**1,082,283,335**	857,429,549	**1,096,197,475**	857,429,549

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Changes in Shareholders' Deficiency
As at March 31, 2024 and 2023
(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, 2022	**829,366,222**	**615,000**	**$ 41,901,151**	**$ 5,900**	**$ 23,451,577**	**$ (68,035,174)**	**$ (2,676,546)**
Issued for cash on private placement (Note 12(a))	101,328,571	-	2,127,900	-	-	-	**2,127,900**
Fair value of warrants issued on private placement (Note 13)	-	-	(1,580,726)	-	1,580,726	-	**-**
Issued as shares for debt (Note 12(b))	33,925,000	-	678,500	-	-	-	**678,500**
Fair value of warrants issued on shares for debt (Note 13)	-	-	(539,407)	-	539,407	-	**-**
Shares issuance costs	-	-	(212,790)	-	-	-	**(212,790)**
Shares to be issued	-	-	-	900,000	-	-	**900,000**
Net loss for the period	-	-	-	-	-	(2,794,917)	**(2,794,917)**
Balance at March 31, 2023	**964,619,793**	**615,000**	**$ 42,374,628**	**$ 905,900**	**$ 25,571,710**	**$ (70,830,091)**	**$ (1,977,853)**
Balance at June 30, 2023	**1,061,755,454**	**615,000**	**$ 45,752,193**	**$ 260,528**	**$ 26,474,955**	**$ (73,027,757)**	**$ (540,081)**
Issued as shares for debt (Note 12(c))	**2,260,000**	**-**	**113,000**	**-**	**-**	**-**	**113,000**
Issued as finder's fees on private placement (Note 12(d))	**4,747,500**	**-**	**189,900**	**-**	**-**	**-**	**189,900**
Issued as shares for debt (Note 12(e))	**19,350,000**	**-**	**387,000**	**-**	**-**	**-**	**387,000**
Issued as shares for debt (Note 12(f))	**6,365,709**	**-**	**254,628**	**-**	**-**	**-**	**254,628**
Fair value of warrants issued on shares for debt (Note 13)	**-**	**-**	**(231,132)**	**-**	**231,132**	**-**	**-**
Issued as shares for debt (Note 12(g))	**50,740,000**	**-**	**1,014,800**	**-**	**-**	**-**	**1,014,800**
Fair value of warrants issued on shares for debt (Note 13)	**-**	**-**	**(806,766)**	**-**	**806,766**	**-**	**-**
Stock based compensation (Note 13)	**-**	**-**	**-**	**-**	**216,200**	**-**	**216,200**
Warrants exercised for Shares (Note 12(g))	**13,000,000**	**-**	**650,000**	**-**	**-**	**-**	**650,000**
Issued for cash on private placement (Note 12(h))	**96,216,666**	**-**	**1,443,250**	**-**	**-**	**-**	**1,443,250**
Fair value of warrants issued on private placement (Note 13)	**-**	**-**	**(1,529,845)**	**-**	**1,529,845**	**-**	**-**
Share Issuance costs	**-**	**-**	**(334,225)**	**-**	**-**	**-**	**(334,225)**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(3,874,319)**	**(3,874,319)**
Balance at March 31, 2024	**1,254,435,329**	**615,000**	**$ 46,902,803**	**$ 260,528**	**$ 29,258,898**	**$ (76,902,076)**	**$ (479,847)**

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Cash Flows
For the nine month periods ended March 31, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)

		2024		2023
Operating activities				
Net Loss	**$**	**(3,784,319)**	$	(2,794,917)
Items not affecting cash:				
Amortization of property and equipment		**10,574**		13,262
Depreciation of right-of-use assets		**79,549**		79,551
Interest on lease liability		**62,032**		70,042
Director's fees		**198,000**		174,000
		(3,524,164)		(2,458,063)
Changes in non-cash working capital items:				
Accounts receivables		**(863)**		(35,629)
Inventory		**(64,573)**		-
Sales tax recoverable		**25,704**		36,468
Prepaid expenses and deposits		**(578,780)**		(269,547)
Accounts payable and accrued liabilities		**706,057**		218,066
Deferred revenue		**-**		38,910
Net cash used by operating activities		**(3,436,619)**		(2,469,794)
Investing activities				
Purchase of Intangibles		**(30,017)**		(13,195)
Purchase of property and equipment		**-**		-
Net cash used by investing activities		**(30,017)**		(13,195)
Financing activities				
Lease liability payments		**(147,048)**		(145,330)
Loans payable		**-**		1,023,300
Bank Indebtedness		**-**		(38,224)
Convertible debentures		**(275,000)**		-
Issuance of shares, net of issuance costs		**3,934,553**		2,593,610
Net cash provided by financing activities		**3,512,505**		3,312,356
Net change in cash		**45,869**		829,367
Cash, beginning of period		**1,047,564**		-
Cash, end of period	**$**	**1,093,433**	$	829,367

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 (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 $3,874,319 for the period ended March 31, 2024 (March 31, 2023 – $(2,794,917)), has an accumulated deficit of $76,902,076 (June 30, 2023 - $73,027,757) and has working capital deficiency of $441,430 (June 30, 2023 – ($466,118)). 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.

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 for the year-end June 30, 2021.

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.

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, 2024 and 2023 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2023. The same accounting policies and methods of computation were followed in the preparation of these 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, 2023. These financial statements were approved by the Board of Directors on May 29, 2024.

(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 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 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 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 (Continued)

(e) Critical Accounting Estimates, Judgments, and Assumptions (Continued)

The significant areas of estimation uncertainty considered by management in preparing the 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 and share-based compensation

The Company uses the Black-Scholes option pricing model to calculate both the value of warrants issued as part of the Company's private placements and option grants. 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 June 30, 2024 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.

(v) Inventory Obsolescence:

Inventory is valued at the lower of cost or net realizable value. Management assesses the net realizable value, determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, to determine if it is lower than the cost of inventory. This estimate will affect the carrying value of inventory and the cost of inventory consumed.

3. SIGNIFICANT ACCOUNTING POLICIES

Prepaid expense

The Company has classified prepayments as current because they relate to the purchase of services and are expected to be realized within twelve months of the reporting date. Prepaid expense contains premises costs and consulting services.

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 March 31, 2024 and therefore all costs associated with it have been allocated to deposits on intangible asset. No amortization was taken in FY2023 nor FY2024.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

(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.

Inventory

The Company's inventory consists of STAR-ISMS® units and STAR-MMI parts inventory. Inventory is valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Company'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 Company's management and supervision. In the event the customer chooses to manage the installation without the Company'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 Company's STAR-A.D.S. ® and airtime are sold as a bundled package, the Company 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 Company's standard price list.

The Company receives deposits on contracts when signed with customers. These deposits are not recognized as revenue but are recognized as deferred revenues until the installation of the product is completed.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Company has implemented the following classifications:

Accounts receivable and sales tax recoverable are classified as subsequently measured at amortized cost.

Bank indebtedness, accounts payable and accrued liabilities, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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.

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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Non-financial assets (Continued)

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable are collected on a regular basis.

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Accounts receivable	$ **130,494**	$ 129,631
Less: Allowance for expected credit losses	**69,070**	69,070
Balance	$ **61,424**	$ 60,561

The current aging of the accounts receivables outstanding at March 31, 2024 is $61,424 (June 30, 2023 - $60,561).

Current	1 - 30	31 - 60	61 - 90	91+	Total
$ 4,250	$ 1,479	$ -	$ 2,110	$ 53,585	$ 61,424

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.

(Expressed in Canadian dollars)

5. SALES TAX RECOVERABLE

Sales tax recoverable is due from the Government of Canada in relation to Harmonized Sales Tax refunds, which as at March 31, 2024 amounted to $165,474 (June 30, 2023 - $191,178).

6. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment and Software	**Total**
Cost	$	$	**$**
Balance at June 30, 2022	330,807	515,679	846,486
Additions	10,160	27,045	37,205
Balance at June 30, 2023	340,967	542,724	883,691
Additions	-	-	-
Balance at March 31, 2024	**340,967**	**542,724**	**883,691**
Accumulated Amortization			
Balance at June 30, 2022	287,822	502,315	790,137
Amortization for the year	9,612	13,444	23,056
Balance at June 30, 2023	297,434	515,759	813,193
Amortization for the period	6,530	4,044	10,574
Balance at March 31, 2024	**303,964**	**519,803**	**823,767**
Carrying Amounts			
At June 30, 2023	43,533	26,965	70,498
At March 31, 2024	**37,003**	**22,921**	**59,924**

(Expressed in Canadian dollars)

7. 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:

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Cost				
Opening Balance	$	**1,026,307**	$	1,026,307
Additions		**-**		-
Balance	$	**1,026,307**	$	1,026,307
Accumulated Depreciation				
Opening Balance	$	**442,951**	$	336,886
Amortization		**79,549**		106,065
Balance	$	**522,500**	$	442,951
Carrying Amounts				
At June 30, 2023			$	583,356
At March 31, 2024	$	**503,807**		

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Trade payables (a)	$	**81,770**	$	177,197
Accrued liabilities (b)		**1,771,777**		970,293
	$	**1,853,547**	$	1,147,490

(a) Trade payables are amounts incurred in the normal everyday operation of the business.
(b) Accrued liabilities include amounts for CRA payroll deductions of $632,751 (June 30, 2023 - $735,676) with other accruals making up the balance.

(Expressed in Canadian dollars)

9. LEASE LIABILITY

The Company leases its premises under a lease agreement expiring on June 30, 2028, which was recognized at an incremental borrowing rate of 10%. The following is a continuity of activity during the period:

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Opening balance	**$**	**864,360**	$	966,604
Payments made		**(147,049)**		(194,345)
Interest on lease liabilities		**62,032**		92,101
Balance		**779,343**		864,360
Current portion		**(125,433)**		(114,797)
Long-term	**$**	**653,910**	$	749,563

The following table outlines the total contractual undiscounted lease payments at March 31, 2024:

2024	**$**	**49,016**
2025		**199,506**
2026		**206,385**
2027		**209,825**
2028		**213,265**
Thereafter		**108,351**
Less: future interest expense		**(207,005)**
Total lease liabilities at March 31, 2024	**$**	**779,343**

10. LOANS PAYABLE

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Canadian Emergency Business Account loan (a)	**$**	**120,000**	$	120,000
Convertible debentures (b)	**$**	**-**	$	275,000

(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 March 31, 2024. If the Company repays $80,000 of the total loan prior to March 31, 2024 then the balance of $40,000 will be forgiven. If the balance is not paid by March 31, 2024 then the balance of the loan is converted to a three (3) period term loan with interest at 5% starting on January 1, 2024. The balance of the loan must be paid no later than June 30, 2026.

(b) The Company received loans in the fiscal year ended June 30, 2023. These loans are unsecured, bear interest at rates ranging from 15%-18%, have no set terms of repayment and are convertible into common shares of the Company at $0.05 per share at any time by the lenders. The fair value of the liability component at the time of issue was estimated to be approximately equal to the principal, such that the residual allocated to the conversion option (equity component) was insignificant. The loans were converted to common shares of the Company in February 2026 in a shares for debt transaction.

(Expressed in Canadian dollars)

11. 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. Of the amount owing, $614,700 was paid out in the form of common stock of the Company after the Ontario Securities Commission (“OSC”) revoked the Company’s failure to file cease trade order (“FFCTO”). The remaining shares will be distributed at a later date. The price of common shares to be distributed was determined to be five cents.

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.

(a) On October 11, 2022, the Company closed a non-brokered private placement of 102,328,571 units in the capital of the Company ("Units") at a purchase price of $0.021 per Unit for total gross proceeds of $2,127,900. Each Unit consists of one common share in the capital of the Company and one warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue. All securities issued in the Offering and any shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance. The net proceeds of the private placement will be used for working capital for further development of the operations, sales and marketing efforts surrounding the Star-A.D.S.® system. The Company has agreed to pay finder’s fees in the amount of ten (10%) percent of the gross proceeds in cash. The price was reserved with the CSE.

12. SHARE CAPITAL (Continued)

(b) On November 1, 2022, the Company completed a Shares for Debt transaction of 33,925,000 units in the capital of the Company ("Units") at a purchase price of $0.025 per Unit for total gross proceeds of $678,500. Each Unit consists of one common share in the capital of the Company and one warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue. All securities issued in the Shares for Debt transaction are subject to a four-month statutory hold period from the date of issuance. The price was reserved with the CSE.

(c) On July 19, 2023, the Company completed a Shares for Debt transaction and converted $113,000 of outstanding debt (the "Debt Conversion") into 2,260,000 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at five cents ($0.05) per Debt Conversion Unit and consists of one (1) common share of the Company and one (1) warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue. All securities issued in the Offering and any shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance.

(d) On August 30, 2023, the Company issued shares for finders' fees as part of the Private placement transaction completed on April 1, 2023. The total number of shares issued was 4,747,500 at a price of $0.04 per common share.

(e) In November 2023, the Company completed a Shares for Debt transaction and converted $387,000 of outstanding debt (the "Debt Conversion") into 19,350,000 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at two cents ($0.02) per Debt Conversion Unit and consists of one (1) common share of the Company and one (1) warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue. All securities issued in the Offering and any shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance.

(f) In November 2023, the Company completed a Shares for Debt transaction and converted $254,628 of outstanding debt (the "Debt Conversion") into 6,365,709 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at four cents ($0.04) per Debt Conversion Unit and consists of one (1) common share of the Company and one (1) warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue. All securities issued in the Offering and any shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance.

(g) During the period ended March 31, 2023 shareholders exercised a total of 13,000,000 warrants held at a price of $0.05 per warrant for a total of $650,000 common shares of the Company

(Expressed in Canadian dollars)

12. SHARE CAPITAL (Continued)

(h) On February 26, 2024, the Company closed a non-brokered private placement of 96,216,666 units in the capital of the Company ("Units") at a purchase price of $0.015 per Unit for total gross proceeds of $1,443,250. Each Unit consists of one common share in the capital of the Company and one warrant. Each of the warrants acquired entitles the holder to purchase one (1) additional common share of the Company at five ($0.05) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue.

All securities issued in the Offering and any shares issued upon exercise of warrants are subject to a four-month statutory hold period from the date of issuance. The net proceeds of the private placement will be used for working capital for further development of the operations, sales and marketing efforts surrounding the Star-A.D.S.® system.

The Company has agreed to pay finder's fees in the amount of ten (10%) percent of the gross proceeds in cash. The price was reserved with the CSE.

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"). In January 2023, the Company amended the Plan whereby the number of common shares to be issued under the Plan is not to exceed 85,000,000 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, 2023	**16,900,000**	$0.05-$0.10	**$0.10**
Options expired	**(400,000)**	-	**$0.05-$0.10**
Options granted	**39,000,000**	$0.05	**$0.05**
Balance at March 31, 2024	**55,500,000**		**$0.05**
Exercisable at March 31, 2024	**32,000,000**		**$0.05**

The Company recognized $216,200 of stock-based compensation for the period ended March 31, 2024 (June 30, 2023 - $Nil).

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Continued)

As at March 31, 2024, 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
December 4, 2021	14,500,000	14,500,000	$0.05	December 4, 2026
October 9, 2023	17,500,000	17,500,000	$0.05 - $0.08	October 9, 2028
January 15, 2024	23,500,000	-	$0.05	January 15, 2029
	55,500,000	**32,000,000**		

The weighted average remaining contractual life of the outstanding options is 2.75 years (June 30, 2023 – 3.25 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.

Warrants are given a Fair Value using the Black-Scholes calculation considering 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
Balance at June 30, 2023	**514,655,702**	**$0.05**
Issued	**173,314,166**	**$0.05**
Exercised	**13,000,000**	**$0.05**
Expired	**(47,475,000)**	**$0.05**
Balance at March 31, 2024	**627,494,868**	**$0.05**

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Continued)

As at March 31, 2024, the Company had warrants issued and outstanding as follows:

Date of Issue	Warrants Issued	Exercise Price	Expiry Date
September 1, 2020	45,797,400	$0.05	September 1, 2025
September 1, 2020	57,838,000	$0.05	September 1, 2025
January 4, 2022	206,390,390	$0.05	January 4, 2027
October 11, 2022	102,328,572	$0.05	October 11, 2027
November 1, 2022	33,925,000	$0.05	November 1, 2027
June 30, 2023	1,628,000	$0.05	June 30, 2024
Exercised	(43,738,660)	$0.05	
July 19, 2023	2,260,000	$0.05	July 19, 2024
Expired	(47,475,000)	$0.05	March 31, 2024
August 30, 2023	4,747,500	$0.05	April 1, 2024
November 20, 2023	19,350,000	$0.05	November 20, 20243
February 26, 2024	50,740,000	$0.05	February 26, 2025
February 26, 2024	96,216,666	$0.05	February 26, 2025
	627,494,868		

Basic and diluted loss per common share based on net loss for the period ended March 31, 2024:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Numerator:		
Net loss the period	**$ (3,874,319)**	$ (2,794,917)
Denominator:		
Weighted average number of common shares outstanding - basic	**1,096,197,475**	857,429,549
Weighted average number of common shares outstanding - diluted	**1,096,197,475**	857,429,549
Loss per common share based on net loss for the period:		
Basic	**$ (0.004)**	$(0.003)
Diluted	**$ (0.004)**	$(0.003)

(Expressed in Canadian dollars)

13. CONTRIBUTED SURPLUS, STOCK-BASED COMPENSATION AND WARRANTS (Continued)

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, 2024:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Common shares outstanding	**1,254,435,329**	1,061,755,454
Warrants to purchase common shares	**627,494,868**	514,655,702
Shares to be issued	**11,260,700**	11,260,700
Stock options to purchase common shares	**55,500,000**	16,500,000
Fully diluted common shares outstanding	**1,948,690,897**	1,604,171,856

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 $479,847 at March 31, 2024 (June 30, 2023 - ($540,081)) 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 March 31, 2024.

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, 2024 (Unaudited)		June 30, 2023 (Audited)
Cash	**$**	**198**	$	198
Accounts receivable		**61,424**		60,561
Accounts payable		**(17,146)**		(7,454)
	$	**44,476**	$	53,305

Based on the Company's net exposure to US denominated instruments at March 31, 2024 and June 30, 2023, 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.

(Expressed in Canadian dollars)

15. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

The Company does not believe it is exposed to any significant concentration of credit risk. However, as disclosed in Note 17, the Company earns a significant amount of revenue from a few customers. As at March 31, 2024, approximately $53,585 (June 30, 2023 - $57,659) of the Company's receivables were past due the average credit period of 90 days. As at March 31, 2024, the Company's allowance for expected credit losses was $69,070 (June 30, 2023 - $69,070) and bad debt expense for the period ended March 31, 2024 was $Nil (June 30, 2023 - $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 March 31, 2024, the Company has current liabilities of $2,812,017 (June 30, 2023 - $2,172,324) due within 12 months and cash of $1,093,433 (June 30, 2023 - $1,047,564). At March 31, 2024, the Company had a working capital deficiency of $441,429 (June 30, 2023 - $466,118) 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, 2024.

16. 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) Amounts due to related parties at March 31, 2024 is $614,079 (June 30, 2023 - $312,726) and is comprised of the following:

		March 31, 2024 (Unaudited)		June 30, 2023 (Audited)
Due to Directors – (included in Due to related parties)	**$**	**354,000**	$	183,000
Due to Directors and Officers – (included in Accounts payables and accrued liabilities)		**150,855**		47,502
Due to Committee Chairpersons – (included in Due to related parties)		**69,000**		42,000
Due to Former Chief Executive Officer – (Included in accounts payables and accrued liabilities) (i)		**40,224**		40,224
	$	**614,079**	$	312,726

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS (Continued)

(i) There is a deposit of $25,000 against this 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)

(b) Compensation to key management personnel, directors and committee chairpersons included in the consolidated statement of loss and comprehensive loss was as follows for the period ended March 31, 2024:

	March 31, 2024 (Unaudited)			March 31, 2023 (Unaudited)		
	Officers	**Directors**	**Total**	Officers	Directors	Total
	$	**$**	**$**	$	$	$
Salaries	**406,251**	**-**	**406,251**	322,502	-	322,502
Directors fees	**-**	**198,000**	**198,000**	-	174,000	174,000
	406,251	**198,000**	**604,251**	322,502	174,000	496,502

17. SIGNIFICANT CUSTOMER

During the period ended March 31, 2024, Nil% (March 31, 2023 – 61%) of the revenue was generated from Star-MMI sales and Nil% (March 31, 2023 – 61%) 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 March 31, 2024, 100% (March 31, 2023 – 61%) of the revenue was generated from one customer. During the period ended March 31, 2024, 61% (March 31, 2023 - 61%) of the revenue recognized during the year was generated from customers located in the United States.

(Expressed in Canadian dollars)

18. EXPENSE DISCLOSURES

General and Administrative		March 31, 2024 (Unaudited)		March 31, 2023 (Unaudited)
Amortization expense (Note 7)	**$**	**79,549**	$	79,551
Board and committee fees		**198,000**		174,000
Filing and other fees		**16,872**		42,196
Insurance		**32,872**		42,817
Office and general		**116,895**		151,503
Professional fees		**3,088**		17,483
Wages		**812,502**		514,875
Total G&A expenses	**$**	**1,259,778**	$	1,022,425

Product maintenance and Operating costs				
Amortization expense (Note 6)	**$**	**10,575**	$	13,263
Product maintenance and Operating costs		**41,067**		18,043
Travel costs		**-**		24,864
Wages		**402,467**		522,067
Total Product Maintenance and Operating expenses	**$**	**454,109**	$	578,238

Marketing and Promotion				
Consultant costs	**$**	**1,532,013**	$	637,500
Investor relations		**81,500**		130,787
Advertising		**-**		34,600
Wages		**160,661**		84,337
Travel costs		**85,246**		242,184
Total M&P expenses	**$**	**1,859,420**	$	1,129,408

19. 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.

20. LITIGATIONS

All lawsuits filed on behalf of certain employees by the CNESST (commission on workplace standards, fairness, health and safety) in Quebec, Canada, which resulted in a civil action against the Company and one of its subsidiaries, Star-Isoneo Inc. before the Superior Court in Montreal, Quebec have now been settled and no further litigation remains before the Courts as of the date of this writing.

21. 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 caused material disruption to businesses globally resulting in an economic slowdown. However, as measures to contain the pandemic became effective, the airline industry began to return to pre-pandemic status, there are still significant challenges facing airlines, including staffing, route suspensions and the prospect of additional COVID-19 variants to be addressed.

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 2023. However, with the roll-out of vaccines to combat COVID-19 and society having returned to some normalcy as of the date of this report, air travel by people is increasing and continues to increase. Airlines have also returned to full operations and have even brought aircraft back into service that were retired during the pandemic.