

Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three and six month periods ended December 31, 2021 and 2020

The following management's discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Star Navigation Systems Group Ltd. (the Company" or "Star") for the three and six month periods ended December 31, 2021 and 2020 and should be read in conjunction with the consolidated audited financial statements for the periods ended June 30, 2021 and June 30, 2020. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Information contained herein is presented as at March 1, 2022.

Certain information in this MD&A or incorporated by reference, and in other public announcements by the Company is forward-looking and is subject to important risks and uncertainties. Words such as "may", "will", "believe", "expect", "anticipate", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements may be found in the General Development of the Business, Overview of Products, Operational Milestones, Outlook, Selected Financial Information, Results of Operations, Liquidity and Capital Resources and Overview sections of this MD&A. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Forward-looking statements are necessarily based upon estimates and assumptions considered reasonable by management but which are subject to business, economic and competitive uncertainties. Results could differ materially from those projected in forward-looking statements. Aside from its efforts locally in the United States and Canada as well as in Europe, the Company continues to pursue sales and marketing efforts for its main Star Airborne Data System ("STAR-A.D.S.®") and Star Man, Machine, Interface ("STAR M.M.I.™") Division products and variants, either directly or through joint arrangements in North America, the Middle East, South-East Asia and developing countries. The Company focuses on airlines, and on avionics integrators. The Company is of the opinion that these geographical areas represent very significant current and future growth potential in terms of passenger miles flown and therefore, demand from operators for technology which will offer enhanced safety and efficiency to their operations.

However, the Company accepts the fact that pursuing opportunities in areas outside North America and Europe potentially subjects it to risks involving political unrest, cultural differences, differing legal environments and business practices, and the significant added expense of travel and accommodation for Company personnel required to be onsite for sales, testing and installation duties. The Company endeavors to mitigate these risks as much as reasonably possible through the judicious use of secure financial instruments, experienced local and international sales agents and coordinated marketing and travel arrangements.

While continuing its efforts in North America and Europe, the Company's current marketing focus for its STAR-A.D.S.® System is on sales to smaller new or restructured airlines in areas outside the traditional North American and European large carrier market. This results in large part from the rapid increase in passenger volumes over the past few periods in many countries in the Middle East, South-East Asia and to a lesser extent, Africa.

Prior to COVID-19, new airlines were looking for ways in which to both comply with changing regulatory requirements while at the same time, maintaining strict maintenance and financial control over their operations. The Company's business is based in large part in providing solutions to those issues, amongst others. As COVID-19 becomes less of an issue, many of these airlines will revisit all aspects of their operations and it is hoped that the Company, through its local agents and partners, will be there to provide the necessary guidance and equipment.

Operations in developing and emerging markets require both caution and knowledge of local conditions and customs. The Company relies heavily on the experience, commitment and integrity of its local agents and partners to represent the Company in a businesslike and ethical manner, target potential customers, understand their individual requirements, present proposals and provide after-sales support. While care is taken in the agent/partner selection process, things can change, and it is not possible for the Company's management in Canada to stay fully abreast of the daily actions of its agents and partners abroad. Frequent contact and updates are essential and helpful but complete control is just not possible.

With any sale, but especially in the developing and emerging market areas, the Company makes every effort to structure and document the agreement of the parties in such a way as to protect the interests of the Company and to ensure that the transaction is profitable. However, legal systems and cultures vary widely around the World and the enforcement of legal obligations where there is a problem such as payment can be expensive, time consuming and often unsuccessful. In addition, local political influence can be a factor, as can change of local government. The Company could be barred from operating in a jurisdiction, or payments due to the Company could be frozen or prohibited. From a cultural standpoint, in many parts of the developing and emerging world, (and, to a lesser extent, in parts of the First World as well) bribery is an accepted and normal practice. The Company has a strict written Bribery Policy, which is provided to all directors, officers, employees, consultants and agents. Still, fines and penalties could be imposed on the Company if there is a policy breach by one of the Company's agents or partners.

In addition, the airline business itself has inherent risks, and newer airlines are generally more susceptible to many of these risks. The Company's revenue comes from both hardware sales and ongoing monthly service fees, dependant in part on the number of hours a particular plane is in service. In the event that a customer airline ceases or restricts operations, the Company's revenues can be impacted.

The Board of Directors of the Company has determined, that despite the demonstrable risks of operating in developing and emerging markets, careful planning, deal structure, the use of Export Development Corporation assistance where possible and the employment of experienced and careful agents and partners, can mitigate the risks to the Company' business operations.

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 may not return to pre-pandemic levels until sometime in 2022. However, with the roll-out of vaccines world-wide 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. The Company feels that it is unlikely that further government restrictions regarding travel will be implemented that will affect its business operations, unless another Pandemic occurs or further serious variants of the virus appear.

Factors which could cause actual results to differ materially from current expectations include, among other things, the ability of the Company to successfully implement its strategic, sales and financing initiatives and whether such initiatives will yield the expected benefits.

In addition, the ability of the STAR-A.D.S.® and STAR- M.M.I.™ Divisions to successfully promote and sell products and services is critical. Competitive conditions in the business in which the Company participates, supply chain interruptions, general economic conditions and normal business uncertainty, fluctuations in foreign currency exchange rates and changes in laws, rules and regulations applicable to the Company in the jurisdictions in which the Company operates are all factors to be taken into consideration.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, or future events or otherwise, except as may be required by law.

Readers are cautioned that forward-looking statements are not guarantees of future performance.

Further information relating to Star is available on SEDAR at www.sedar.com.

EVOLUTION OF THE BUSINESS

Star Navigation Systems Group Ltd. commenced its operations in May 2000 and is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “SNA”. .

Star Navigation Systems Group Ltd. is a Canadian publicly owned technology company. It focuses on providing aerospace and transportation data services solutions along with hardware and software platforms that assist aviation and other transport related operators worldwide. Headquartered in Brampton, Ontario, Star has developed the In-Flight Safety Monitoring System (“STAR-ISMS®”), an aircraft computer that is at the heart of the Star Airborne Data System (“STAR-A.D.S.®”). It is the first system in the world that combines in-flight data monitoring, diagnostics and data analysis with real-time secure connections between the aircraft and the ground, using real-time satellite transmission.

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

The STAR-A.D.S.® G3 computer has been certified for airworthiness (Supplemental Type Certificate (“STC”)) on aircraft type A310 by Transport Canada (“TC”) and the U.S. Federal Aviation Authority (“FAA”). The Company received its full operational STC for aircraft type A320 in September 2021. The third generation (“G3”) computer combines, in one unit, several updated air-to-ground communications means. In particular, the G3 unit adds the ability to switch from satellite communications to Global System for Mobiles (“GSM”) communications, providing maximum flexibility and cost-effectiveness to the users.

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

OVERVIEW OF PRODUCTS AND PROGRAMS

STAR-A.D.S.®

The STAR-ISMS® technology is the heart of the STAR-A.D.S.® System. The System provides airlines/operators with a cost effective, end to end solution, allowing the automated capture and delivery of the results of real-time, in-flight analysis of an agreed set of parameters. This offers the capability of real-time monitoring of the aircrafts' performance, its status and location, and provides instant and secure access to essential aircraft information from a PC based web connection. The STAR-A.D.S.® System delivers high value, streamlined operational information with minimum impact to the airline's internal processes and procedures. It uses a Graphical User Interface ("GUI") providing the operator with fast, convenient visibility of information from any location, within minutes of the data being generated on an aircraft data bus, in flight, anywhere in the world.

The STAR-A.D.S.® System is currently certified by TC and the U.S. FAA. The system can be installed on any aircraft irrespective of aircraft type for which the Company has both an installation and operational STC.

The Company is currently focussing on sales processes and marketing initiatives enhancing the product brand awareness and global coverage for selling as all commercial passenger aircraft will soon require this type of technology.

With the mandatory requirement of all Aircraft manufacturers to put this type of system on brand new aircraft being built after January 2023, the STAR-A.D.S.® System is well positioned to provide an excellent solution to Aircraft Manufacturers in the periods ahead.

STAR-M.M.I.™

The STAR-M.M.I.™ Division, repairs, performs qualification tests on, and supports on-board LCD flat screen displays. These high-performance LCD displays and control panels from are used in the cockpits of fixed wing aircraft and helicopters for both civilian and military applications.

STAR-M.M.I.™ has full capability, in-house, to offer customer support. Its products have already been delivered to various major system avionics integrators worldwide, all of them appearing in the Fortune 500 listing.

A key client for this program is U.S. Defence Contractor Lockheed Martin, whose customer is the United States Department of Defence. Star has an extended contract with Lockheed Martin that runs up until 2026 for all the repairs and maintenance required to service those units. Expenses are incurred at the time a repair is received for this program and the Company subsequently invoices the customer.

The contract is in good standing with the customer and the Company continues servicing the contract for repair and maintenance on the customer equipment. The Company's obligations are to repair the units as needed and it has all the resources in house such as the qualified technicians and quality control personnel to be in full compliance/obligation with the agreement.

OVERVIEW OF PRODUCTS AND PROGRAMS (Cont'd)

STAR – TTT™ (Talk, Text & Track)

Our partner on this project was Chengdu Aerospace in China. Given the current state of relations between Canada and China, and the fact that the product requires financial resources to get certified before it can go on board an aircraft, the project has been put on hold by the Company at this time.

STAR – V – TRK™

This project is on hold due to financial resources that will be needed. The product requires certification to be installed on any aircraft. The Company will continue to monitor the situation and may return to this project as finances and technology advances permit.

SALES & MARKETING STRATEGY REORGANIZATION

The Company has undertaken to revamp its Sales & Marketing strategy in light of lower than expected sales results of the past 20 years. It's current CEO, Mr. Amir Bhatti is a past Chief Technical Officer with the Company and comes from an aviation industry background with 30 plus years of experience in airline flight operations, maintenance operations, flight safety and aircraft accident investigations. He has worked for aerospace companies such as Bombardier, De Havilland Aircraft of Canada, Pratt & Whitney Canada (as a Professor) and other Original Equipment Manufacturers.

Mr. Bhatti has been focused on restructuring the Company into a leaner organization. Part of these efforts are focused on cost reductions, supplier engagements, and streamlining the commercial approach for Star including engaging transformation and sales consultants to support revenue generation and product evolution efforts to reposition the Company.

As a further extension of the transformation initiatives, Star is in early discussions internally to define the product and services evolution roadmap. This includes an enhanced market/brand awareness campaign and marketing planning with IR firms such as Stockhouse and Agoracom. It also includes attendance at trade shows such as the Dubai Air Show in November 2021 and the Singapore Air Show in February 2022, speaking at a Kenya Aviation Safety and Accident Prevention Conference in March 2022, Wings India Air Show in March 2022. As well as engaging print media and marketing firms as well as joint marketing agreements with companies in the aviation industry. The Company is looking to boost its sales strategy by providing enhanced commercial promotional benefits to potential customers. Further updates on these initiatives are expected in 2022.

OPERATIONAL UPDATES

During the fiscal year ending June 30, 2021, the Company made the following progress towards achieving its strategic growth objectives:

- The Company announced that it has signed a sales agency agreement (the “Agreement”) with Swiss Aviation Group AG (“SAG”) out of Switzerland. SAG was founded in 1996. It has over 20 years of experience in Airline Start-ups, Turn Arouns and Airport Management Support.

SAG’s activities have since expanded into the preparation of Air Operator Certificates, managing of and consulting for airport projects, the charter, lease and sales of jet transport passenger and cargo aircraft, the development of Business Plans, preparation of Feasibility Studies as well as restructuring and turnaround of airline companies.

Under the Agreement, SAG will have exclusive rights to sell the STAR-A.D.S.® system to their defined airlines. The agreement is for a one (1) year term and can be extended by mutual consent of both parties. Both SAG and the Company have decided to extend the contract for another year without any compensation to SAG unless they complete a sale of the STAR-A.D.S.® unit.

- The Company cut back on the number of products and programs it has on the go to focus on its’ STAR- A.D.S.® and MMI™ programs (See overview of Products and Programs above).

STRATEGIC OBJECTIVES AND ACCOMPLISHMENTS FOR FY2022 AND BEYOND

Star’s management is working to achieve the following objectives during the fiscal year 2022 and beyond:

- Star will continue to execute the commercialization of the STAR-A.D.S.® System, products and services with a focus on growing sales and production of the STAR-A.D.S.® box. To this end, actions anticipated during the next 12 months include partnerships with Maintenance Repair & Overhaul organizations and spare parts resellers/distributors, exhibiting at International Air Shows and Conferences.
- In January 2022, the Company signed a Partnership agreement with FlightPath International SA Ltd. (“FPI”). This partnership enables FPI to train Worldwide Airlines & Operators including Pilots, Engineers, Flight Operations Officers on Star’s Flight Sciences Services and Technologies. These services and technologies range from helping Airlines implement the mandatory International Civil Aviation Organization’s (“ICAO”) Global Aeronautical Distress Safety System program (“GADSS”) coming in January 2023, to Autonomous Aircraft Tracking, Flight Operations Performance and Predictive Maintenance Protocols. (See Subsequent events).
- In December 2021, Star signed a Memorandum of Understanding (“MOU”) with WheelTug plc, an innovative electric taxi company. The MOU will see the companies cooperate on the collection and analysis of data gathered by Star’s on-board technology and WheelTug Vision, the camera array that complements the main WheelTug e-taxi system.

The goal is to maximize the benefits that WheelTug generates for airlines. Star's solution offers operators, owners, insurers and even ATC, access to granular flight ops information.

- In February 2022, the Company was successfully recertified under the AS9100 Rev "D" Quality Systems Surveillance Audit. AS9100 is the International Quality Management System standard for the Aviation, Space and Defense ("AS&D") industry, created by the IAQG, and AS9100 Rev D (2020) is the most recent version. The standard provides suppliers with requirements for creating and maintaining a comprehensive quality system for providing safe and reliable products to the AS&D industry, as well as civil & military aviation requirements. "AS9100 Certified" means an organization has met the requirements of AS9100 Rev "D". Star was successfully re-certified to the AS9100 Revision D ISO 9001-2010 Standard during the month of February 2022.
- In November 2022, the Company attended and exhibited at the Dubai Air Show. Over the course of the show, Star held numerous meetings with airlines, Maintenance Repair Organizations ("MRO") and aircraft original equipment manufacturers ("OEM"). Several of these are now in further discussion to advance the possible sale of Star products.

SELECTED FINANCIAL INFORMATION ANALYSIS

General Financial Information at December 31, 2021

The Company emerged from the Notice of Intent to Make a Proposal Event on February 24, 2021. However, it will continue to require debt and/or equity financing until it is able to generate sustainable revenues from operations on a consistent basis. The Company is looking at all available financing options. There can be no assurance that the Company will be successful in obtaining further financing.

Accounts receivable are billed and collected on a regular basis.

	December 31, 2021	June 30, 2021
Opening balance	\$ 77,835	\$ 93,090
Less: AFDA	69,070	69,070
Balance	<u>\$ 8,765</u>	<u>\$ 24,020</u>

The current aging of the accounts receivables outstanding at December 31, 2021 is \$8,765 (June 30, 2021 - \$24,020).

	Current	1 - 30	31 - 60	61 - 90	91+	Total
A/R	\$ 5,106	\$ -	\$ -	\$ -	\$ 3,659	\$ 8,765
TOTAL	<u>\$ 5,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 8,765</u>

SELECTED FINANCIAL INFORMATION ANALYSIS (Cont'd)

General Financial Information at December 31, 2021 (Cont'd)

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.

Prepaid expenses have increased since June 30, 2021 due to the prepayment of the Stockhouse contract.

Capital and Right of Use assets have changed due to asset additions and normal depreciation and amortization charges taken in 2021.

Assets have increased in this period over June 30, 2021 due mainly to the increase in cash on hand and prepaid expenses.

Accounts payable and accrued liabilities have increased slightly in the six months ended December 31, 2021 due to increases in payroll liabilities.

	December 31, 2021		June 30, 2021
Trade payables (a)	\$ 100,240	\$	125,014
Accrued liabilities (b)	1,161,310		846,522
	\$ 1,261,550	\$	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 \$363,964 and interest expense of \$281,733 with other trade accruals making up the balance.

Due to Related parties increased in the quarter due to accrued Directors fees.

The Company received loans from shareholders to enable it to complete its return to trading on the Canadian Stock Exchange, where it has been suspended for failure to file its Annual Audited Financial Statements and Management Discussion and Analysis. The Company had the Cease Trade Order lifted on November 24, 2021. These loans bear interest at 18% per annum, are unsecured and have no set terms for repayment.

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.

SELECTED FINANCIAL INFORMATION ANALYSIS (Cont'd)

General Financial Information at December 31, 2021 (Cont'd)

As part of the approval there is an amount due the unsecured creditors of \$900,000 of common stock of the Company that will be paid out after the Company has its failure to file cease trade order ("FFCTO") revoked by the Ontario Securities Commission ("OSC"). 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.

The Company has received a total of \$120,000 in the form of the Canadian Emergency Business account ("CEBA") loans from the Government of Canada in February 2021. These loans are interest free loans with no principal payments until December 31, 2023. If the Company repays \$80,000 of the total loan prior to December 31, 2023 then the balance of \$40,000 will be forgiven. If the balance is not paid by December 31, 2023 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 December 31, 2026.

On November 24, 2021, the Company received from the Ontario Securities Commission the revocation order regarding the Failure-to-File Cease Trade Order that was issued on November 1, 2019. The Company is now permitted to resume trading on the Canadian Securities Exchange ("CSE"), subject to compliance with CSE policies.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information, presented in Canadian dollars and prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters. (Expressed in \$)

	2021	2021	2021	2021
Period Ending	December 31	September 30	June 30	March 31
Revenue	5,107	7,360	5,894	6,378
Working Capital/(Deficit)	(4,712,726)	(3,759,523)	(3,199,814)	(1,197,811)
Expenses	1,339,841	585,326	2,011,543	(2,261,523)
Net Income(Loss) from Operations	(1,334,734)	(577,966)	(2,005,649)	2,267,902
Net Income (Loss) (per Share)	(0.003)	(0.001)	(0.003)	0.004

	2020	2020	2020	2020
Period Ending	December 31	September 30	June 30	March 31
Revenue	96,676	-	18,170	34,772
Working Capital/(Deficit)	(3,594,727)	(2,751,222)	(5,130,407)	(4,671,447)
Expenses	441,517	363,570	468,239	947,291
Net Loss from Operations	(344,839)	(363,570)	(450,070)	(912,519)
Net Loss (per Share)	(0.001)	(0.001)	(0.004)	(0.001)

REVENUES:

The last 8 quarters revenues have remained consistent from quarter to quarter with the exception of the December 31, 2020 quarter.

The low STAR-A.D.S.® sales over this time period can be tied to an initial lack of a cohesive sales strategy prior to the new Board and Management take-over. There was no proper marketing effort to support the strategy needed by the Company. These fluctuations also take into account that the Company filed a Notice of Intent to file a proposal (“NOI”) on December 11, 2019 that set the Company back financially as well as reputationally. These factors will take some time to overcome.

The STAR-M.M.I.™ division has also lacked consistency in sales and this is evidenced by the gap between sales received. The Company has gone up to 18+ months between orders received (September 2019 and December 2020). This gap in sales has several effects in that it does not allow the Company to budget accurately or forecast inventory requirements and second the Company cannot plan capital expenses or labour costs accurately with regards to this program.

The Company is part of a program that serves the U.S Department of Defence (“DoD”) in repairing cockpit displays and only receives repair orders when the DoD determines that maintenance is required. The Company is relegated to a waiting game on receiving future repairs.

EXPENSES:

The Company has been more consistent in what it is spending over these quarters with fluctuations in spending costs coming with year-end adjustments and cash flow issues in July 2019 and the filing of the NOI by the previous management on December 11, 2019, just prior to their replacement by shareholders.

Three months later the COVID-19 pandemic started in March 2020. The Company’s expenses continued steady due to the legal costs in dealing with the NOI proposal.

The Company has not been able to report a Net profit from Operations at any time in its history and only in March 2021, due to the Company emerging from the NOI process, was it able to record Net Income after other items because of the NOI process.

RESULTS OF OPERATIONS

Comparison of the three month periods ended December 31, 2021 and 2020

The Company lost \$1,334,734 for the period ended December 31, 2021 vs. a loss of \$344,839 for the same period ended December 31, 2020. The major contributing factors in the increased loss are the stock-based compensation of \$362,500, decreased sales revenues, and an overall increase in general spending.

Revenues:

	2021	December 31, 2020	Variance
Total Revenues	5,106	96,676	(91,570)
Star-A.D.S.®	5,106	4,847	259
Star-MMI	-	91,829	(91,829)

Revenues for the period ended December 31, 2021 have decreased over December 31, 2020 substantially.

STAR-A.D.S.® revenues in Q2 were only airtime revenues and have outpaced December 31, 2020 STAR-A.D.S.® revenues at this point in time by \$259. No sales of the STAR-A.D.S.® box were completed in Q2.

There were no STAR-M.M.I.™ revenues in this quarter compared to \$91,829 in the December 2020 quarter. However, these MMI sales would be the last the Company received from the program at this time. Although the program has been generating revenues since the first sale in September of 2014 it has not yielded the results the Company had hoped for and has struggled to deliver consistent results in recent periods due to stoppages in the program that are beyond the control of the Company.

The Data Entry Panels (“DEP”) that are repaired are not received on a regular basis and come to the Company as its customer gets them for repair from the end-user. The Company has no indication from its customer as to when these may occur. There has been very little to no consistency for these repairs.

This MMI agreement is the repair and maintenance of the DEP’s for which Star has a contract that runs until 2026.

The Company is still trying to get its STAR-A.D.S.® System recognized globally by the Airline industry. This has not happened and inhibits the Company from increasing its sales revenues. Until the Company can get several more customers on board and use them as leverage to gain access to other airlines then sales will remain flat. Further hampering the Company’s ability to increase sales is that the COVID-19 pandemic has hit the Airline industry harder and caused Airlines to ground whole fleets of planes.

The Company recognizes that Airlines are not spending as much money as pre-pandemic days but the industry is recovering faster than what was anticipated by many. To that end, Management has brought in new sales partners with extensive aviation experience and also signed additional sales agency agreements.

RESULTS OF OPERATIONS (Cont'd)**Comparison of the three month periods ended December 31, 2021 and 2020**

(Cont'd)

Revenues (Cont'd)

Management has made decisions on what its sales strategy should be and is committed to using its resources more prudently. It has therefore put the developments of certain products on hold and is fully focused on achieving sales for its STAR-A.D.S.® System.

Cost of Inventory Consumed:

	2021	December 31, 2020	Variance
Cost of Inventory Consumed	(8,347)	26,748	(35,095)
Star ISMS	(8,347)	18,372	(26,719)
Star MMI	-	8,376	(8,376)

Cost of inventory consumed for the period ended December 31, 2021 is down significantly over 2020 as the 2020 period contained higher transmission costs for airtime along with the fact that 2021 saw the Company recover some of those transmission costs due to a billing error by its supplier.

Airtime costs which the Company incurs each month increase/(decrease) depending on how much flight time the customer consumes. These costs were relatively the same from period to period.

STAR-M.M.I.™ costs are down in 2021 over 2020 as the Company has had no MMI sales since November 2020.

General and Administrative:

	2021	December 31, 2020	Variance
Total G&A expenses	506,598	223,486	283,113
Accounting fees	40,000	22,500	17,500
Amortization-Right of use assets	25,659	25,659	-
Bank charges & interest	525	513	12
Board and Committee fees	277,000	29,400	247,600
Filing fees	9,272	8,151	1,121
Insurance	10,543	16,143	(5,600)
Office and general	17,952	39,493	(21,541)
Professional fees	30,881	27,459	3,423
Wages	94,766	54,168	40,598

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three month periods ended December 31, 2021 and 2020

(Cont'd)

General and Administrative (Cont'd)

Board and Committee fees are up this period as the Board was expanded at the Annual General Meeting the Company held in July 2021. The Company now has 6 Directors on its Board compared to 4 in the prior year. Board members were also awarded one-time non-cash bonuses for their commitment to the Company which were paid out as part of the Shares for Debt transaction that the Company completed on January 4, 2022.

Filing fees are up marginally this period due in large part to the costs associated with holding its Annual Shareholders meeting on July 7, 2021. Its monthly regulatory fees have remained the same.

Insurance costs have remained relatively stable with the decrease in the period being a lower directors policy. The Company has been able to keep its rates for its commercial and liability insurance the same as the prior period.

Rent expense has remained neutral as it is offset by the change that resulted from the implementation of IFRS 16. The offset to this is an increase in the amortization on the right of use asset that was setup and is amortized over the life of the lease which is 10 periods and a reduction in rent expense.

Professional fees are relatively the same in 2021 as 2020 and consist primarily of legal fees.

Office and general expenses are down in 2021 and this is due to the Company keeping its non-essential expenses under control.

Wage expense has increased in 2021 as the Company has returned salaries to the pre-COVID-19 levels.

Marketing and Promotion

	2021	December 31, 2020	Variance
Total M&P expenses	135,825	54,121	81,704
Consultant costs	6,461	12,250	(5,790)
Investor relations	2,000	-	2,000
Advertising	32,243	-	32,243
Salaries and benefits	46,897	29,165	17,732
Travel costs	48,224	12,706	35,519

Marketing and promotion costs have increased by \$81,704 over 2020 due to increases in all areas.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three month periods ended December 31, 2021 and 2020

(Cont'd)

Marketing and Promotion (Cont'd)

Consultant costs are down due to the costs associated with the Swiss Aviation contract now being complete. The contract is still in force.

Advertising costs are up over 2020 as this is a continuing expense from the first quarter that the Company has now actively engaged in advertising in an Aerospace magazines. This step is part of the Company's new Sales strategy and development that was undertaken at the beginning of 2021.

Salaries and benefits increased in this quarter as the Company now has full time staff in this area whereas in 2020 there was only consulting costs being incurred.

Product Maintenance & Operating costs (formerly Research and Development):

	2021	December 31, 2020	Variance
Total Maintenance expenses	210,974	128,556	82,418
Amortization expense	4,458	4,363	95
Maintenance costs	24,609	(13,693)	38,303
Travel costs	-	10,603	(10,603)
Wages	181,906	127,284	54,623

Management has decided to rename this category due to the fact the Company has been incurring maintenance and operating costs only for the STAR-A.D.S.® program throughout FY2021 and no Research and Development costs. Research and Development costs associated with other programs on hold at this time (See Overview of Products above) will be shown separately in future management discussions.

Amortization expense has remained the same as 2020.

Maintenance costs have increased over FY2021 as the Company had put holds on spending on certain projects in September 2020. (See discussion in Overview of Products and programs) as it looked to conserve its cash until the Failure to file Cease Trade Order was lifted which occurred on November 24, 2021.

For the FY2022 total Maintenance costs related only to the STAR-A.D.S.®. This is the only product that the Company is working on this period. For FY2021 the STAR-A.D.S.® program accounted for all of the expenditures.

The LSAMM & ISAMM programs incurred development costs totalling \$12k of costs in Q1 of FY2021 and these were all labour costs. There were no LSAMM and ISAMM costs in Q1 of FY2022.

RESULTS OF OPERATIONS (Cont'd)**Comparison of the three month periods ended December 31, 2021 and 2020
(Cont'd)****Product Maintenance & Operating Costs (formerly Research and Development)
(Cont'd)**

Wages have increased this period as the Company had three full months of salaries in Q2 of FY2022 and employees salaries were returned to pre Covid-19 levels. In Q2 of FY2021 employees had just been recalled in September of 2020 and were subject to wage reductions.

Comparison of the six month periods ended December 31, 2021 and 2020

The Company lost \$1,912,700 for the period ended December 31, 2021 vs. a loss of \$708,410 for the period ended December 31, 2020. The major contributing factors in the increased loss are the stock-based compensation of \$362,500, decreased sales revenues, and an overall increase in general spending.

Revenues:

	2021	December 31, 2020	Variance
Total Revenues	12,467	96,676	(84,209)
Star-A.D.S.®	12,467	4,847	7,620
Star-MMI	-	91,829	(91,829)

Revenues for the period ended December 31, 2021 have decreased over December 31, 2020.

STAR-A.D.S.® revenues in Q2 were only airtime revenues and have outpaced December 31, 2020 revenues at this point in time by \$7,620. Billing for 2020 would be caught up after Q2 with the return of all staff. No sales of the STAR-A.D.S.® box were completed in the period ending December 31, 2021.

There were no STAR-M.M.I.™ revenues in this quarter compared to \$91,829 in the December 2020 quarter. However, these MMI sales would be the last the Company received from the program at this time. Although the program has been generating revenues since the first sale in September of 2014 it has not yielded the results the Company had hoped for and has struggled to deliver consistent results in recent periods due to stoppages in the program that are beyond the control of the Company.

The Data Entry Panels (“DEP”) that are repaired are not received on a regular basis and come to the Company as its customer gets them for repair from the end-user. The Company has no indication from its customer as to when these may occur. There has been very little to no consistency for these repairs. The last MMI sale prior to Nov 2020 was in May 2019. This MMI agreement is the repair and maintenance of the DEP’s for which Star has a contract that runs until 2026.

RESULTS OF OPERATIONS (Cont'd)**Comparison of the six month periods ended December 31, 2021 and 2020 (Cont'd)****Revenues (Cont'd)**

The Company is still trying to get its STAR-A.D.S.® System recognized globally by the Airline industry. This has not happened and inhibits the Company from increasing its sales revenues. Until the Company can get several more customers on board and use them as leverage to gain access to other airlines then sales will remain flat. Further hampering the Company's ability to increase sales is that the COVID-19 pandemic has hit the Airline industry harder and caused Airlines to ground whole fleets of planes and reduce spending.

The Company recognizes that Airlines are not spending as much money as pre-pandemic days but the industry is recovering faster than what was anticipated by many. To that end, Management has brought in new sales partners with extensive aviation experience and also signed additional sales agency agreements.

Management has made decisions on what its sales strategy should be and is committed to using its resources more prudently. It has therefore put the developments of certain products on hold and is fully focused on achieving sales for its STAR-A.D.S.® System.

Cost of Inventory Consumed:

	2021	December 31, 2020	Variance
Cost of Inventory Consumed	(866)	35,375	(36,241)
Star ISMS	(866)	26,524	(27,390)
Star MMI	-	8,851	(8,851)

Cost of inventory consumed for the period ended December 31, 2021 is down significantly over 2020 as the 2020 period contained higher transmission costs for airtime along with the fact that 2021 saw the Company recover some of those transmission costs due to a billing error by its supplier.

Airtime costs which the Company incurs each month increase/(decrease) depending on how much flight time the customer consumes. These costs were relatively the same from period to period.

STAR-M.M.I.™ costs are down in 2021 over 2020 as the Company has had no MMI sales since November 2020.

RESULTS OF OPERATIONS (Cont'd)**Comparison of the six month periods ended December 31, 2021 and 2020 (Cont'd)****General and Administrative:**

	December 31,		
	2021	2020	Variance
Total G&A expenses	716,085	385,735	330,350
Accounting fees	62,500	45,000	17,500
Amortization-Right of use assets	51,318	51,318	-
Bank charges & interest	(1,572)	3,614	(5,186)
Board and Committee fees	316,000	58,400	257,600
Filing fees	24,891	13,118	11,773
Insurance	26,141	30,884	(4,743)
Office and general	46,047	48,963	(2,916)
Professional fees	44,881	14,186	30,695
Wages	145,879	120,252	25,627

Board and Committee fees are up this period as the Board was expanded at the Annual General Meeting the Company held in July 2021. The Company now has 6 Directors on its Board compared to 4 in the prior year. Board members were also awarded one-time non-cash bonuses for their commitment to the Company which were paid out as part of the Shares for Debt transaction that the Company completed on January 4, 2022.

Filing fees are up this period due to the costs associated with holding its Annual Shareholders meeting on July 7, 2021. Its monthly regulatory fees have remained the same.

Insurance costs have remained relatively the same as the prior period. The Company has been able to keep its rates for its commercial and liability insurance the same as the prior period.

Rent expense has remained neutral as it is offset by the change that resulted from the implementation of IFRS 16. The offset to this is an increase in the amortization on the right of use asset that was setup and is amortized over the life of the lease which is 10 periods and a reduction in rent expense.

Professional fees are up in 2021 due a recovery in 2020 of fees paid to the Bankruptcy Trustee.

Office and general expenses are the same in 2021 and this is due to the Company being operationally active for six full months in 2021 whereas in 2020 it was only active for 4 months.

Wage expense has increased slightly in 2021 as salary levels have been returned to pre Covid-19 levels.

RESULTS OF OPERATIONS (Cont'd)**Comparison of the six month periods ended December 31, 2021 and 2020 (Cont'd)****Marketing and Promotion**

	2021	December 31, 2020	Variance
Total M&P expenses	279,409	138,083	141,326
Consultant costs	115,785	42,027	73,758
Investor relations	2,000	54,185	(52,185)
Advertising	38,556	-	38,556
Salaries and benefits	74,789	29,165	45,623
Travel costs	48,279	12,706	35,574

Marketing and promotion costs have increased by \$141,326 over 2020 due to increases in Consultant costs, advertising, salaries and travel.

Consultant costs are up due to the costs associated with the Swiss Aviation contract.

Investor relations fees in 2021 have dropped substantially over 2020. The Company did however sign a one year contract with Stockhouse which starts in January 2022 at a cost of \$120,000 per year.

Advertising costs are up over 2020 as this is a continuing expense from the first quarter that the Company has now actively engaged in advertising in an Aerospace magazines. This step is part of the Company's new Sales strategy and development that was undertaken at the beginning of 2021.

Salaries and benefits increased in this quarter as the Company now has full time staff in this area whereas in 2020 there was only consulting costs being incurred.

Product Maintenance & Operating costs (formerly Research and Development):

	2021	December 31, 2020	Variance
Total Maintenance expenses	408,837	211,406	197,431
Amortization expense	8,917	8,726	191
Maintenance costs	32,116	(5,909)	38,025
Travel costs	927	3,651	(2,723)
Wages	366,877	204,938	161,939

Management has decided to rename this category due to the fact the Company has been incurring maintenance and operating costs only for the STAR-A.D.S.® program throughout FY2021 and no Research and Development costs. Research and Development costs associated with other programs on hold at this time (See Overview of Products above) will be shown separately in future management discussions.

Amortization expense has remained the same as 2020.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the six month periods ended December 31, 2021 and 2020 (Cont'd)

Product Maintenance & Operating Costs (formerly Research and Development) (Cont'd)

Maintenance costs have increased over FY2021 as the Company has put holds on spending on certain projects in September 2020. (See discussion in Overview of Products and programs) as it looked to conserve its cash until the Failure to file Cease Trade Order has been lifted which occurred on November 24, 2021.

For the FY2022 total Maintenance costs relate only to the STAR-A.D.S.®. This is the only product that the Company is working on at this time. For FY2021 the STAR-A.D.S.® program accounted for all of the expenditures.

The LSAMM & ISAMM programs incurred development costs totalling \$12k of costs in Q1 of FY2021 and these were all labour costs. There were no LSAMM and ISAMM costs in the first two quarter of FY2022.

Wages have increased this period as the Company had three full months of salaries in Q2 of FY2022 and employees salaries were returned to pre Covid-19 levels. In Q2 of FY2021 employees had just been recalled in September of 2020 and were subject to wage reductions.

FOREIGN EXCHANGE GAIN/LOSS:

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.

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

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
Cash	\$ 27,636	\$ (20)
Accounts receivable	8,765	24,020
Accounts payable	4,524	(7,493)
	\$ 40,925	\$ 16,507

Based on the Company's net exposure to US dollar denominated instruments at December 31, 2021 and June 30, 2021, a sensitivity analysis has not been presented as it would be immaterial.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$498,533 at December 31, 2021 compared to a cash balance of \$276,921 at June 30, 2021 resulting in an decrease of \$221,612. The Company has a working capital deficiency of \$4,712,726 at December 31, 2021 compared to a working capital deficiency of \$3,199,814 at June 30, 2021. The increase in working capital deficiency is a result of increased payables which the Company has held off paying due to the declining cash balance.

For the period ending December 31, 2021, cash flow provided by/(used by) operating activities was (\$888,341) as compared to (\$960,323) at December 31, 2020. The decrease is due to changes in non-cash working capital accounts, particularly accounts payables and accrued liabilities and accounts receivables.

The Company's inability to generate consistent sales means it has to continuously look for other options to sustain operations. The Company has always depended in the past on the support of its shareholders for financing. Revenues from STAR-M.M.I.™ and STAR-A.D.S.® are sporadic throughout the period and not enough to cover monthly expenses which leads to constant working capital deficiencies. This does not allow the Company to plan any long-range projects such as inventory fulfillment which would alleviate last minute rush purchases which generally cost the Company more money.

The Company received the revocation of its FFCTO on November 24, 2021 from the Ontario Securities Commission and closed a private placement on January 4, 2022 raising \$2,045,000 as well as completing a shares for debt transaction which reduced debt by \$2,803,470 (See Subsequent Events below). The Company will continue to need more funding at later dates either through private placements, exercise of warrants and options or other financing options to sustain operations until revenues from the STAR-M.M.I.™, STAR-A.D.S.®, programs generate adequate cash flows. There is no assurance that future funding will be available on favorable terms to the Company, or at all.

Management is currently evaluating various financing options for the purchase of these units. The financing alternatives could include debt and/or equity financings, bank loans and rights offerings to existing shareholders. There is no assurance that the funding will be available on favorable terms to the Company, or at all so the orders have not been placed as of the writing of this MD&A.

The Company is subject to the risks generally associated with high-technology companies, which include fluctuations in operating expenses and revenues.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2021 the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

OUTSTANDING SHARE DATA

Series I First Preferred Shares	615,000
Common Shares	622,975,832
Share Purchase Warrants	157,414,067 (exercise price of \$0.05)
Stock Options	14,900,000 (exercise prices ranging from \$0.05 to \$0.10 with expiry dates up to December 2, 2026 and various graded vesting provisions).

ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to the determination of the Useful lives and impairment of property and equipment and right-of-use assets and the valuation warrants granted.

The most significant area of judgments are going concern and deferred tax assets.

RELATED PARTY TRANSACTIONS

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

The Company's Board of Directors are compensated at the rate of \$2,000 per month for performing duties such as providing guidance to management in areas such as corporate governance, reviewing strategic plans, budgeting, material contracts or joint ventures and any other material information deemed necessary.

Committee Chairpersons are selected from amongst the Directors of the Company to lead the Audit, Compensation/Corporate Governance and Strategic Planning/Human Resources committees. Chairpersons are remunerated at the rates of \$1,000 per month.

RELATED PARTY TRANSACTIONS (Cont'd)

All of the above amounts are recognized in the consolidated financial statements of the Company as accrued.

(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, which are not dependent on the patents.

(b) The amount due to related parties at December 31, 2021 is \$3,352,099 (June 30, 2021 - \$1,881,319) and is comprised of the following:

	December 31, 2021 (Unaudited)	June 30, 2021 (Audited)
Due to Directors	\$ 490,000	\$ 192,000
Due to Committee Chairpersons	41,000	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⁾	2,582,280	1,427,500
	\$ 3,352,099	\$ 1,881,319

- (i) An amount of \$Nil (June 30, 2021 - \$Nil) of the balance bears interest at 5% per annum; 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.
- (ii) During the period ended December 31, 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.

RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management personnel cost included in the consolidated statement of comprehensive loss as of December 31, 2021 is \$503,500 (December 31, 2020 - \$166,738). These amounts which are included in general and administrative expense represent fees paid and accrued to directors and officers of the Company:

	December 31, 2021	December 31, 2020
Chief Executive Officer	\$ 125,000	\$ 44,850
Chief Operating Officer	-	18,488
Chief Financial Officer	62,500	45,000
Board of Director fees, credited to Due to related parties	298,000	50,000
Committee Chairperson fees, credited to Due to related parties	18,000	8,400
	\$ 503,500	\$ 166,738

CONTINGENCY

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, vendors and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

SUBSEQUENT EVENTS

On January 4, 2022, the Company announced that it has closed its previously announced non-brokered private placement of 68,166,667 units in the capital of the Company ("Units") at a purchase price of \$0.003 per Unit for gross proceeds of \$2,045,000. 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 five (5) 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 Twelve (12%) percent of the gross proceeds in Units. The price was reserved with the CSE.

The Company has also successfully converted \$2,803,470 of outstanding debt (the "Debt Conversion") into 112,138,800 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at two and a half (\$0.025) 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 five (5) 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.

SUBSEQUENT EVENTS (Cont'd)

On January 19, 2022, the Company announced that it has signed a Partnership agreement with FlightPath International SA Ltd. ("FPI").

This partnership enables FPI to train Worldwide Airlines & Operators including Pilots, Engineers, Flight Operations Officers on Star's Flight Sciences Services and Technologies. These services and technologies range from helping Airlines implement the mandatory International Civil Aviation Organization's ("ICAO") Global Aeronautical Distress Safety System program ("GADSS") coming in January 2023, to Autonomous Aircraft Tracking, Flight Operations Performance and Predictive Maintenance Protocols. The agreement calls for a commission of 15% to be paid to FPI on all materials sold and Star will be entitled to a commission of 15% from all training revenues associated with the sale and distribution of materials. The term of the agreement is five (5) years with an option for a second term of five (5) years upon agreement by both parties.

On January 7, 2022, the Company announced that it has entered into a Client Services Agreement ("CSA") with Stockhouse Publishing Ltd. ("Stockhouse"), to assist with increasing market outreach and investor awareness as the Company continues to grow its investor base.

Since retaining Stockhouse's services the Company has launched a full-service marketing campaign to provide investors with an aggregated view of Star's news releases, editorial coverage, and interviews with Company Executives. Through Star's agreement with Stockhouse, the Company now has access to over 30 different marketing tools focused on editorial, brand awareness and amplifying news. Using these tools and the Stockhouse program, a larger investor audience will be aware of Star's investment opportunity

On February 22, 2022, the Company announced that it is has successfully been recertified under the AS9100 Rev "D" Quality Systems Surveillance Audit.

AS9100 is the International Quality Management System standard for the Aviation, Space and Defense ("AS&D") industry, created by the IAQG, and AS9100 Rev D (2020) is the most recent version. The standard provides suppliers with requirements for creating and maintaining a comprehensive quality system for providing safe and reliable products to the AS&D industry, as well as civil & military aviation requirements. "AS9100 Certified" means an organization has met the requirements of AS9100 Rev "D". Star was successfully re-certified to the AS9100 Revision D ISO 9001-2010 Standard during the month of February 2022.

REORGANIZATION AND NOTICE OF INTENTION TO MAKE A PROPOSAL EVENT

(a) Bankruptcy

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

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, 2021 and as approved by the creditors on February 14, 2021.

The Proposal Trustee has not at this time paid out any claims but the Company has been informed that that process will begin shortly as per discussion with the Trustee as he has now settled the last outstanding Proof of Claim.

(b) 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. (After all necessary filings were made by the Company, the FFCTO was revoked by the OSC on November 24, 2021.)

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

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

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

REORGANIZATION AND NOTICE OF INTENTION TO MAKE A PROPOSAL EVENT (Cont'd)

(d) Resignation of CEO and Appointment of New CEO

On April 30, 2020, Peter M. Clausi, the Interim Chief Executive Officer resigned and Mr. Jean-Louis Larmor, formerly the Vice President, Corporate Development, and President of the Company's subsidiary, Star-Isonéo Inc., was named Interim Chief Executive Officer. Mr. Jean-Louis Larmor resigned as a director July 20, 2020 and as Interim Chief Executive Officer on September 13, 2020 and Mr. Amir Bhatti was named Chief Executive Officer on September 16, 2020.

(e) Gain on Notice of Intention to Make a Proposal Event

The Company estimated early on in this process that they would reduce their total liabilities by \$3.3 million as a result of the NOI. The Statement of Loss and Comprehensive Loss shows a gain of \$1.939 million. The reasons for the difference are that the Company booked a \$900,000 charge against the NOI as a result of an amount due to unsecured creditors. Amounts originally on the creditor listing due to the Canada Revenue Agency remain as liabilities and lastly the amounts on the creditor listing filed with the Trustee were estimates only.

LITIGATION

(a) Lawsuits

On or about October 16, 2020, the CNESST (commission on workplace standards, fairness, health and safety) in Quebec, Canada, on behalf of certain employees, instituted a civil action against the Company and one of its subsidiaries, Star-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 \$306,480 and unpaid vacation pay of \$15,427.20. In addition to the above amounts and under Article 114 of the *Act Respecting Labour Standards*, the CNESST is also claiming 20% of the total amount of the claim representing the amount of \$65,160 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.

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.

LITIGATION (Cont'd)

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.

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 \$9,454 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 \$1,890, 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 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.

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.

(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.

WARRANT REPRICING AND EXTENSIONS (Cont'd)

(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

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.

RISK FACTORS AND RISK MANAGEMENT

Although management is working diligently towards generating revenue, improving cost containment and achieving profitable operations, the Company is subject to the risks generally associated with high-technology companies. These risks include fluctuations in operating expenses, lengthy sales cycles, the pace of technological change, human resource costs of necessary additional research and development, competition, regulatory approvals and permitting, and the need to secure further equity or debt financing and/or funding.

The Company is also subject to the risk of competition in a fast-moving high technology industry. Protection of the Company's intellectual property carries the risk of expensive litigation. Retention of highly skilled key personnel, fluctuation of input costs, travel costs and general economic conditions may impact the Company's performance.

COVID-19

The Company operates in the Aerospace Industry and has watched how COVID-19 has forced airlines to ground a large part of their fleets. The Company anticipates that this will make it harder to sell its STAR-A.D.S.® System product to them until operations return to a more normal level. There is no set timeline as to when the pandemic will be contained if at all, although there are signs of improvement and a measured resumption of operations. The Company is reassessing its operational strategy in light of these developments.

Legal Proceedings

The status of the lawsuits has yet to be determined. Trial dates have not been set. The Company has been advised that due to the backlog in the court system, the dates for trial may not occur until 2022. The disputed amounts are accrued in accounts payable and accrued liabilities on the balance sheet.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

Economic Dependence

The Company essentially has two customer groups at the present time. One is the STAR-A.D.S.® In flight safety monitoring System. This is marketed to commercial airlines of which two airlines are currently customers and revenue generating. The second customer group relates to maintenance support of equipment installed on the P-3 Orion aircraft operated by various military organizations, with maintenance support sub-contracted to the Company by Lockheed Martin. Requests for service are on an “as required” basis and cannot be predicted with certainty.

While the loss of any business would cause difficulties for the Company, the loss of one customer such as Lockheed Martin would not materially alter the viability of the Company.

Operations in Foreign Jurisdictions:

The Company’s operations offshore have historically been concentrated in India and the Middle East, primarily due to the local experience and contacts of various senior executives of the Company, and the number and rate of expansion of commercial airlines in that area.

While sales to a smaller and perhaps more innovative airlines can often be more easily accomplished, the Company is from time to time obliged to offer terms that potentially expose it to issues such as payment problems and the difficulty and expense inherent in enforcing contractual obligations in a foreign jurisdiction. In addition, the expense of servicing or repairing equipment, whether onsite or at the Company’s premises in Ontario, can be troubling.

Overseas sales can also be made more difficult due to local culture and business practices. The Company has had a Bribery Policy in place for many periods and ensures, to the best of its ability, that all of its officers, employees, consultants and agents are fully aware of the policy and agree to abide by it. Having said that, the Company faces the same challenges in this regard as are faced by all North American companies operating in those jurisdictions.”

The Company’s revenues depend mainly upon three factors: hardware sales, ongoing monthly monitoring charges and airtime and STAR-M.M.I.™ repair activities. Revenues from hardware are normally a one-time event and are dependent upon sales. Therefore, these revenues will vary from period to period. Revenue from a customer from ongoing monthly monitoring is relatively stable, but can vary depending upon usage and, in rare cases, upon the financial health of the customer.

Revenue from the STAR-M.M.I.™ Division activities has been relatively stable on an annualized basis but can and does vary throughout the period, as has been noted earlier in this MD&A.

The Company is working diligently to increase the level of sales across its product suite, carefully monitors the payment records of its customers, and sets its pricing models to reflect risk and return realities.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

Operating expenses are generally stable but will vary depending on required staffing levels, equipment update and replacement, sales activity and required engineering activities. These expense items are pre-revenue in nature. The Company now offers a fully developed STAR-A.D.S.® System to the commercial aviation world.

The Company's target clients for the flagship STAR-A.D.S.® System, and its variant applications, are mainly commercial airlines. As is the case with high technology sales to any large commercial operation operating on slim margins in a competitive environment, the sales cycle is generally a lengthy one, involving multiple varied sales presentations to several different departments and stakeholders, including engineering, finance, operations and the executive. The target clients for STAR-M.M.I.™ represent a much larger group which should require a shorter sales and installation cycle.

A large percentage of the Company's sales initiatives prior to STAR-A.D.S.® involved non-North American customers, with the attendant travel and time requirements.

Amongst other initiatives, the Company is continuing to review and reorganize its sales process. Where possible, it makes greater use of video conferencing, although face to face meetings are required with respect to already well defined and prepared prospects and opportunities.

It is also refocusing its efforts to provide an enhanced emphasis on potential North American customers, while maintaining its existing initiatives overseas.

Regulatory matters can delay the sales process to varying degrees. The Company relies upon entities such as Transport Canada to issue approvals such as STC's, required whenever the Company is installing equipment aboard an aircraft.

Until revenues exceed expenses, the Company raises the necessary capital through private placements and other financing tools. There can be no assurance that management will be successful in raising the necessary capital required to fund ongoing activities.

As noted herein, there are a number of risks inherent in the business of the Company. As a result of those risks, and its present stage of development, an investment in the Company should be considered highly speculative.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109, Certification of Disclosure in Company's Annual and Interim Filings ("NI 52-109"), the CEO and CFO file a Venture Company Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Company Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES (Cont'd)

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

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

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

It should be noted that while the Company's CEO and CFO believe that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud. There have been no material changes to the internal controls of the Company for the period ended December 31, 2021.