

Star Navigation Systems Group Ltd.

Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Star Navigation Systems Group Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Star Navigation Systems Group Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2025, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2025 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material Uncertainty Related to Going Concern described above, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The consolidated financial statements of the Company for the year ended June 30, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2024.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended June 30, 2025, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

October 28, 2025
Markham, Ontario

Horizon Assurance LLP

Chartered Professional Accountant
Licensed Public Accountant

Star Navigation Systems Group Ltd.
Consolidated Statements of Financial Position
As at June 30, 2025 and June 30, 2024
(Expressed in Canadian dollars)

	June 30, 2025	June 30, 2024
Assets		
Current		
Cash	\$ -	\$ 152,942
Accounts receivable (Note 4)	17,182	78,004
Sales tax recoverable (Note 5)	106,275	176,961
Prepaid expenses and deposits	16,052	50,949
Total current assets	139,509	458,856
Non-current assets		
Property and equipment (Note 6)	34,602	48,309
Right-of-use assets (Note 7)	371,227	477,291
Total non-current assets	405,829	525,600
Total assets	\$ 545,338	\$ 984,456
Liabilities and Shareholders' Deficiency		
Current		
Bank indebtedness	\$ 83,940	\$ -
Accounts payable and accrued liabilities (Note 8)	3,999,152	2,382,512
Lease liability – current portion (Note 9)	151,181	130,330
Due to creditors under the terms of the NOI (Note 11)	285,300	285,300
Deferred revenue	-	12,673
Subscription received in advance	145,800	-
Due to related parties (Note 16)	1,311,224	665,224
Total current liabilities	5,976,597	3,476,039
Non-current liabilities		
Lease liability (Note 9)	468,054	619,234
Loans payable (Note 10)	128,418	120,000
Total liabilities	6,573,069	4,215,273
Shareholders' Deficiency		
Share capital (Note 12)	47,535,691	47,085,961
Contributed surplus (Note 13)	29,671,188	28,993,140
Shares to be issued	-	5,900
Deficit	(83,234,610)	(79,315,818)
Total shareholders' deficiency	(6,027,731)	(3,230,817)
Total Liabilities and Shareholders' Deficiency	\$ 545,338	\$ 984,456

Nature of Operations and Going Concern (Note 1)
Litigations (Note 20)

Approved by the Board

"Allwyn Mendonca"
Director (Signed)

"Randy Koroll"
Director (Signed)

Star Navigation Systems Group Ltd.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended June 30, 2025 and 2024
(Expressed in Canadian dollars)

	2025	2024
Revenue (Note 18)	\$ 74,682	\$ 127,680
Expenses		
Cost of inventory consumed	12,529	26,593
General and administrative (Note 19)	2,078,733	1,858,311
Marketing and promotion (Note 19)	1,512,510	2,815,375
Product maintenance and operating costs (Note 19)	393,144	955,773
Foreign exchange gain	1,087	-
Stock based compensation (Note 13)	-	216,200
	3,998,003	5,872,252
Loss from operations	(3,923,321)	(5,744,572)
Other income (expenses)		
Gain on debt settlement	32,624	32,930
Other income	49,498	-
Interest expense	(8,418)	(30,750)
Interest expense – lease liability (Note 9)	(69,175)	(81,269)
Net and comprehensive loss for the year	\$ (3,918,792)	\$ (5,823,661)
Basic and diluted loss per common share	(0.003)	\$ (0.005)
Weighted-average number of common shares outstanding	1,291,936,798	1,133,961,468

Star Navigation Systems Group Ltd.
Consolidated Statements of Changes in Shareholders' Deficiency
As at June 30, 2025 and 2024
(Expressed in Canadian dollars)

	Number of common shares	Number of Series I preferred shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total
Balance at June 30, 2023	1,061,755,454	615,000	\$ 45,752,193	\$ 260,528	\$ 26,797,355	\$ (73,492,157)	\$ (682,081)
Issued as shares for debt (Note 12(a))	2,260,000	-	113,000	-	-	-	113,000
Issued as finder's fee on private placement (note 12(b))	4,747,500	-	-	-	-	-	-
Issued as shares for debt (Note 12(c))	19,350,000	-	387,000	-	-	-	387,000
Issued as shares for debt (Note 12(d))	6,365,709	-	254,628	(254,628)	-	-	-
Fair value of warrants issued on shares for debt (Note 13)	-	-	(1,037,898)	-	1,037,898	-	-
Issued as shares for debt (Note 12(e))	50,740,000	-	1,014,800	-	-	-	1,014,800
Stock based compensation (Note 13)	-	-	-	-	216,200	-	216,200
Warrants exercised for Shares (Note 12(f))	13,000,000	-	650,000	-	-	-	650,000
Issued for cash on private placement (Note 12(g))	66,216,666	-	993,250	-	-	-	993,250
Fair value of warrants issued on private placement (Note 13)	-	-	(774,735)	-	774,735	-	-
Share issuance costs (Note 12(g))	-	-	(99,325)	-	-	-	(99,325)
Warrant extension modification (Note 12(h))	-	-	(166,952)	-	166,952	-	-
Net loss for the year	-	-	-	-	-	(5,823,661)	(5,823,661)
Balance at June 30, 2024	1,224,435,329	615,000	\$ 47,085,961	\$ 5,900	\$ 28,993,140	\$ (79,315,818)	\$ (3,230,817)

Star Navigation Systems Group Ltd.
Consolidated Statements of Changes in Shareholders' Deficiency
As at June 30, 2025 and 2024
(Expressed in Canadian dollars)

	Number of common shares	Number of Series I preferred shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total
Balance at June 30, 2024	1,224,435,329	615,000	\$ 47,085,961	\$ 5,900	\$ 28,993,140	\$ (79,315,818)	\$ (3,230,817)
Issued as shares for debt (Note 12(i))	48,025,000		480,250				480,250
Fair value of warrants issued on shares for debt (Note 13)			(230,520)		230,520		-
Issued as shares for debt (Note 12(j))	89,505,600		447,528				447,528
Fair value of warrants issued on shares for debt (Note 13)			(447,528)		447,528		-
Warrants exercised for Shares (Note 12(k))	4,000,000		200,000				200,000
Reclassification to liabilities				(5,900)			(5,900)
Net loss for the year						(3,918,792)	(3,918,792)
Balance at June 30, 2025	1,365,965,929	615,000	\$ 47,535,691	\$ -	\$ 29,671,188	\$ (83,234,610)	\$ (6,027,731)

Star Navigation Systems Group Ltd.
Consolidated Statements of Cash Flows
For the years ended June 30, 2025 and 2024
(Expressed in Canadian dollars)

	2025	2024
Operating activities		
Net and comprehensive loss	\$ (3,918,792)	\$ (5,823,661)
Items not affecting cash:		
Amortization of property and equipment	13,707	22,189
Depreciation of right-of-use assets	106,064	106,065
Amortization of graphical user interface asset	-	141,745
Interest on lease liability	69,175	81,269
Interest on long-term debt	8,418	
Stock-based compensation	-	216,200
Director's fees	-	400,000
	(3,721,428)	(4,856,193)
Changes in non-cash working capital items:		
Accounts receivables	60,822	(17,443)
Inventory	-	95,555
Sales tax recoverable	70,686	14,216
Prepaid expenses and deposits	34,897	260,401
Accounts payable and accrued liabilities	2,744,418	2,982,823
Due to related parties	646,000	-
Deferred revenue	(12,673)	(71,840)
Net cash used by operating activities	(177,278)	(1,592,481)
Financing activities		
Lease liability payments	(199,504)	(196,065)
Loans payable	139,900	-
Issuance of shares, net of issuance costs	-	893,925
Net cash provided by financing activities	(59,604)	697,859
Net change in cash	(236,882)	(894,622)
Cash, beginning of year	152,942	1,047,564
Bank indebtedness, end of year	\$ (83,940)	\$ 152,942
Non-cash financing transactions		
Issued as shares and warrants for debt	1,127,778	-
Reclassification shares to be issued to liabilities	5,900	-

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At June 30, 2025 and June 30, 2024
(Expressed in Canadian dollars)

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 audited 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 \$3,918,792 for the year ended June 30, 2025 (June 30, 2024 – net loss of \$5,823,661), has an accumulated deficit of \$83,234,610 (June 30, 2024 - \$79,315,818) and has working capital deficiency of \$5,837,088 (June 30, 2024 – working capital deficiency of \$3,017,183). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue operations, meet its obligations and realize its investment in development costs is dependent on the continued support from investors and related parties to finance sales to customers, continue the project development, obtain the necessary certifications from regulatory agencies as well as successfully marketing the STAR-ISMS® for gain. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenues and expenses, and the financial position classifications used, that may be necessary should the Company be unable to continue as a going concern or be unable to realize its assets and discharge its liabilities in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These audited consolidated financial statements of the company have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Interpretations Committee ("IFRIC"). The consolidated financial statements for the year ended June 30, 2025 were authorized for issue by the Board of Directors on October 28, 2025.

(b) Basis of Measurement

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

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At June 30, 2025 and June 30, 2024
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

(c) Functional and Presentation Currency

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

(d) Basis of Consolidation

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

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

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

Property and equipment, intangible assets and right-of-use 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.

2. BASIS OF PRESENTATION (Continued)

(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, 2025 which may cast significant doubt upon the Company's ability to continue as a going concern. These audited 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

Intangible Assets

(a) GUI System

The GUI system will allow STAR-ISMS® customers to view the airline flights and receive end of flight reports. This product was completed at the start of fiscal June 30, 2024. The useful life of the asset was determined to be one year. Therefore, all amortization was taken in that current fiscal year. Amortization of \$149,012 was taken and was posted to amortization expense in Product maintenance and operating costs on the consolidated statement of Loss and Comprehensive loss in the fiscal year ended June 30, 2024.

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. During the June 30, 2024 fiscal year, it was determined that the inventory had become impaired and therefore was written down to a net realizable value of Nil. The amount of the impairment charge taken was \$160,128 and was charged to Product maintenance and operating costs.

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 loss 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 is 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, subscription received in advance, 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 instrument 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 accounts 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 of Non-Financial Assets

Non-financial assets

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

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

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

Adoption of New Accounting Policies

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

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

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4. ACCOUNTS RECEIVABLE

Accounts receivable are collected on a regular basis.

	June 30, 2025	June 30, 2024
Accounts receivable	\$ 17,182	\$ 78,004
Less: Allowance for expected credit losses	-	-
Balance	\$ 17,182	\$ 78,004

The current aging of the accounts receivables outstanding at June 30, 2025 is \$17,182 (June 30, 2024 - \$78,004).

Current	1 - 30	31 - 60	61 - 90	91+	Total
\$	\$	\$	\$	\$	\$
1,021	1,030	1,079	1,789	12,263	17,182

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 address any customer concerns or problems that may lead to non-payment.

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

5. SALES TAX RECOVERABLE

Sales tax recoverable is due from the Government of Canada in relation to Harmonized Sales Tax refunds, which as of June 30, 2025 amounted to \$106,275 (June 30, 2024 - \$176,961).

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6. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment and Software	Total
Cost	\$	\$	\$
Balance at June 30, 2023	340,967	542,724	883,691
Additions	-	-	-
Balance at June 30, 2024	340,967	542,724	883,691
Additions	-	-	-
Balance at June 30, 2025	340,967	542,724	883,691
Accumulated Amortization			
Balance at June 30, 2023	297,434	515,759	813,193
Amortization for the period	8,706	13,483	22,189
Balance at June 30, 2024	306,140	529,242	835,382
Amortization for the period	6,965	6,742	13,707
Balance at June 30, 2025	313,105	535,984	849,089
Carrying Amounts			
At June 30, 2024	34,827	13,482	48,309
At June 30, 2025	27,862	6,740	34,602

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:

	June 30, 2025	June 30, 2024
Opening Balance	\$ 1,026,307	\$ 1,026,307
Additions	-	-
Balance	\$ 1,026,307	\$ 1,026,307
Accumulated Depreciation		
Opening Balance	\$ 549,016	\$ 442,951
Amortization	106,064	106,065
Balance	\$ 655,080	\$ 549,016
Carrying Amounts		
At June 30, 2024		\$ 477,291
At June 30, 2025	\$ 371,227	

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2025	June 30, 2024
Trade payables (a)	\$ 331,324	\$ 301,407
Accrued liabilities (b)	3,667,828	2,081,105
	\$ 3,999,152	\$ 2,382,512

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

(b) Accrued liabilities include amounts for non-cash consulting contracts and CRA payroll deductions and other accrued expenses not included in day-to-day trade payables.

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 year:

	June 30, 2025	June 30, 2024
Opening balance	\$ 749,564	\$ 864,360
Payments made	(199,504)	(196,065)
Interest on lease liabilities	69,175	81,269
Balance	619,235	749,564
Current portion	(151,181)	(130,330)
Long-term	\$ 468,054	\$ 619,234

The following table outlines the total contractual undiscounted lease payments at June 30, 2025:

2026	\$ 206,385
2027	209,825
2028	213,265
2029	108,352
Less: future interest expense	(118,592)
Total lease liabilities at June 30, 2025	\$ 619,235

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10. LOANS PAYABLE AND SUBSCRIPTION RECEIVED IN ADVANCE

		June 30, 2025		June 30, 2024
Canadian Emergency Business Account loan	\$	128,418	\$	120,000
Subscription received in advance	\$	145,800	\$	-

- (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 June 30, 2024. If the Company repays \$80,000 of the total loan prior to June 30, 2024 then the balance of \$40,000 will be forgiven. If the balance is not paid by June 30, 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. During the year ended June 30, 2025, the Company recorded interest expenses of \$8,418 (June 30, 2024 - \$nil) related to the CEBA loan.
- (b) The Company received payments of \$139,900 towards a non-brokered private placement that was closed on October 10, 2025. The Company also reclassified \$5,900 of shares to be issued to subscription received in advance during the year ended June 30, 2024.

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. The \$90,000 was distributed to creditors to legally discharge the amounts originally owed. With respect to the \$65,223, the trustee distributed \$25,000 during each of the year ended June 30, 2023 and 2024. As at June 30, 2025, the remaining outstanding balance was \$15,224 (June 30, 2024 - \$40,224).

As part of the approval, an amount of \$900,000 was payable to unsecured creditors, to be settled through the issuance of the Company’s common shares. During the year ended June 30, 2023, the Company issued 12,294,000 shares at a price of \$0.05 per share to settle debts of \$614,700. As at June 30, 2025 and 2024, the remaining outstanding balance of \$285,300 was expected to be settled through the issuance of common shares. The creditors may decline to accept the shares.

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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 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.
- (b) 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.
- (c) 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.
- (d) In November 2023, the Company completed a Shares for Debt transaction initiated on April 15, 2023 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.

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12. SHARE CAPITAL (Continued)

- (e) In February 2024, the Company completed a Shares for Debt transaction and converted \$1,014,800 of outstanding debt (the "Debt Conversion") into 50,740,000 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 were subject to a four-month statutory hold period from the date of issuance.
- (f) During the year ended June 30, 2024 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
- (g) On February 26, 2024, the Company closed a non-brokered private placement of 66,216,666 units in the capital of the Company ("Units") at a purchase price of \$0.015 per Unit for total gross proceeds of \$993,250. 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.
- (h) During the year ended June 30, 2024 the Company extended the expiration date of some warrants that had been issued. The extension resulted in a modification to the fair value of the warrants totalling \$166,952. The adjustment was an equity adjustment to common shares and contributed surplus.
- (i) In September 2024, the Company completed a Shares for Debt transaction and converted \$480,250 of outstanding debt (the "Debt Conversion") into 48,025,000 units (the "Debt Conversion Units"). Each Debt Conversion Unit was issued at one cent (\$0.01) 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 were subject to a four-month statutory hold period from the date of issuance.
- (j) In February 2025 the Company completed a shares for debt transaction. The transaction resulted in the issuance of 89,505,600 units in the capital of the Company ("Units") at a purchase price of \$0.005 per Unit for a total reduction of debt of \$447,528. 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.

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12. SHARE CAPITAL (Continued)

- (k) During the year ended June 30, 2025, shareholders exercised a total of 4,000,000 warrants at an exercise price of \$0.05 per warrant, resulting the issuance of 4,000,000 of common shares for a total proceeds of \$200,000.

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, 2025	55,500,000	\$0.05-\$0.08	\$0.05
Options expired	-	-	-
Options granted	-	-	-
Balance at June 30, 2025	55,500,000		\$0.05
Exercisable at June 30, 2025	55,500,000		\$0.05

The Company recognized \$Nil of stock-based compensation for the year ended June 30, 2025 (June 30, 2024 - \$216,200).

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

	June 30, 2025	June 30, 2024
Expected dividend yield	-	-
Risk free interest rate	-	3.98%
Expected volatility	-	104%
Expected life	-	5.0 years
Share price	-	\$0.015

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

As at June 30, 2025, 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, 2022	15,500,000	15,500,000	\$0.05	October 9, 2028
January 15, 2024	23,500,000	23,500,000	\$0.05	January 15, 2029
	55,500,000	55,500,000		

The weighted average remaining contractual life of the outstanding options is 3.00 years (June 30, 2024 – 4 years).

Stock based compensation for the year ended June 30, 2024 included payments made in shares regarding finder's fees and consulting services. Shares were issued as part of the various shares for debt transactions during the fiscal year ended June 30, 2025.

Warrants

The accounting policy the Company uses for the share purchase warrants follows the guidelines of IAS 32 – Financial Instruments. The Company used the residual 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, 2024	538,847,368	\$0.05
Issued	137,530,600	\$0.05
Exercised	(4,000,000)	\$0.05
Balance at June 30, 2025	672,377,968	\$0.05

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

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

	June 30, 2025	June 30, 2024
Expected dividend yield	-	-
Risk free interest rate	2.65%-4.07%	4.31%-4.70%
Expected volatility	509%-580%	194%-297%
Expected life	1.0-5.0 years	1.0 years
Share price	\$0.005	\$0.015-\$0.025

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	112,138,800	\$0.05	January 4, 2027
January 4, 2022	94,251,590	\$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
November 20, 2023	19,350,000	\$0.05	November 20, 2028
February 26, 2024	50,740,000	\$0.05	February 26, 2029
February 26, 2024	66,216,666	\$0.05	February 26, 2029
September 30, 2024	48,025,000	\$0.05	September 30, 2029
February 25, 2025	89,505,600	\$0.05	February 25, 2030
Exercised	(47,738,660)	\$0.05	
	672,377,968		

Basic and diluted loss per common share based on net loss for the year ended June 30, 2025:

	June 30, 2025	June 30, 2024
Numerator:		
Net loss the year	\$ (3,918,792)	\$ (5,823,661)
Denominator:		
Weighted average number of common shares outstanding - basic	1,291,936,798	1,133,961,498
Weighted average number of common shares outstanding - diluted	1,291,936,798	1,133,961,498
Loss per common share based on net loss for the year:		
Basic	\$ (0.003)	\$(0.005)
Diluted	\$ (0.003)	\$(0.005)

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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 June 30, 2025:

	June 30, 2025	June 30, 2024
Common shares outstanding	1,361,965,929	1,224,435,329
Warrants to purchase common shares	672,377,968	538,847,368
Shares to be issued	-	5,900
Stock options to purchase common shares	55,500,000	55,500,000
Fully diluted common shares outstanding	2,089,843,897	1,818,788,597

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 \$6,027,731 at June 30, 2025 (June 30, 2024 - (\$3,230,817)) 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 year ended June 30, 2025.

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.

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15. FINANCIAL RISK MANAGEMENT (Continued)

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:

	June 30, 2025	June 30, 2024
Cash	\$ -	\$ 198
Accounts receivable	17,182	28,004
Accounts payable	(36,999)	(23,626)
	\$ (19,817)	\$ 4,576

(a) Market Risk

Based on the Company's net exposure to US denominated instruments at June 30, 2025 and June 30, 2024, 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.

(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 June 30, 2025, approximately \$12,263 (June 30, 2024 - \$20,186) of the Company's receivables were past due the average credit period of 90 days. As at June 30, 2025, the Company's allowance for expected credit losses was \$Nil (June 30, 2024 - \$Nil) and bad debt expense for the year ended June 30, 2025 was \$Nil (June 30, 2024 - \$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 June 30, 2025, the Company has current liabilities of \$5,976,597 (June 30, 2024 - \$3,476,039) due within 12 months and bank indebtedness of \$(83,940) (June 30, 2024 - cash of \$152,942), as well as the CEBA loans payable of \$128,418 due in 2026. At June 30, 2025, the Company had a working capital deficiency of \$5,837,088 (June 30, 2024 - working capital deficiency of \$3,017,183) and accordingly, the Company is subject to significant liquidity risk.

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15. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

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 June 30, 2025.

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 June 30, 2025 is \$2,536,183 (June 30, 2024 - \$1,004,286) and is comprised of the following:

	June 30, 2025	June 30, 2024
Due to Directors – (included in Due to related parties)	\$ 1,189,000	\$ 579,000
Due to Directors and Officers – (included in Accounts payables and accrued liabilities)	1,240,183	339,062
Due to Committee Chairpersons – (included in Due to related parties)	107,000	71,000
Due to Former Chief Executive Officer (included in related parties)	-	15,224
	\$ 2,536,183	\$ 1,004,286

- (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 June 30, 2025:

	June 30, 2025			June 30, 2024		
	Officers	Directors	Total	Officers	Directors	Total
	\$	\$	\$	\$	\$	\$
Salaries	275,000	-	275,000	681,336	-	681,336
Directors' fees	-	646,000	646,000	-	555,000	555,000
	275,000	646,000	921,000	681,336	555,000	1,236,336

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17. INCOME TAXES

(a) Income Tax Expense

Income tax expense differs from the amounts computed by applying the combined federal and provincial statutory tax rates because of the following:

	June 30, 2025	June 30, 2024
Net loss before income taxes	\$ (3,918,792)	\$ (5,823,661)
Statutory rate	26.5%	26.5%
Expected income tax recovery at statutory rate	(1,038,480)	(1,543,270)
Permanent differences	221,701	57,293
Changes in benefits not recognized	816,779	1,485,977
Income tax expense	\$ -	\$ -

(b) Significant components of the income tax expense for the years ended June 30 are as follows:

	June 30, 2025	June 30, 2024
Current income tax expense	\$ -	\$ -
Deferred taxes		
Income taxes – origination and reversal of temporary differences	816,779	1,512,299
Relating to unrecognized temporary differences	(816,779)	(1,512,299)
Share issuance costs	-	-
Income tax expense	\$ -	\$ -

(c) Deferred Income Taxes

The following deferred tax assets are not recognized in the consolidated financial statements due to the unpredictability of future income:

	June 30, 2025	June 30, 2024
Non-capital losses carried forward	\$ 12,860,338	\$ 12,043,535
Equipment, intangibles, and other assets	646,340	649,138
Share issue costs	92,242	115,302
	\$ 13,598,920	\$ 12,807,975

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17. INCOME TAXES (Continued)

The Company estimates that it will have approximately \$48,529,579 of non-capital losses carried forward which may be utilized to reduce Canadian taxable income in future years. To the extent they are not utilized, the non-capital losses carried forward expire as follows:

2027	\$ 207,000
2028	2,611,000
2029	2,097,000
2030	3,678,000
2031	2,119,000
2032	1,730,000
2033	1,504,000
2034	2,927,000
2035	2,557,000
2036	2,014,000
2037	1,912,000
2038	2,455,000
2039	2,693,000
2040	2,605,000
2041	338,000
2042	4,034,770
2043	4,490,307
2044	5,475,502
2045	3,082,000
	<hr/>
	\$ 48,529,579

18. SIGNIFICANT CUSTOMER

During the period ended June 30, 2025, 47% (June 30, 2024 – 19%) of the total revenues generated by the Company were generated from Star-A.D.S. sales and 53% (June 30, 2024 – 81%) 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 year ended June 30, 2025, 53% (June 30, 2024 – 81%) of the revenue was generated from one customer. During the year ended June 30, 2025, 47% (June 30, 2024 – 100%) of the revenue recognized during the year was generated from customers located in the Middle East.

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19. EXPENSE DISCLOSURES

General and Administrative	June 30, 2025	June 30, 2024
Amortization expense (Note 7)	\$ 106,064	\$ 106,065
Board and committee fees	646,000	555,000
Filing and other fees	33,829	49,610
Insurance	35,064	49,510
Office and general	895,410	235,286
Professional fees	87,366	175,596
Wages	275,000	687,244
Total G&A expenses	\$ 2,078,733	\$ 1,858,311
Product maintenance and Operating costs		
Amortization expense (Note 6)	\$ 13,707	\$ 171,201
Product maintenance and Operating costs	6,403	278,570
Wages	373,035	506,002
Total Product Maintenance and Operating expenses	\$ 393,144	\$ 955,773
Marketing and Promotion		
Consultant costs	\$ 1,505,325	\$ 2,454,038
Investor relations	-	73,025
Wages	6,250	160,661
Travel costs	935	127,651
Total M&P expenses	\$ 1,512,510	\$ 2,815,375

20. SEGMENT INFORMATION

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

21. LITIGATION

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.

22. SUBSEQUENT EVENTS

The Company closed a non-brokered private placement of 47,500,000 units in the capital of the Company ("Units") at a purchase price of \$0.01 per Unit for total gross proceeds of \$475,000. 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.