

Star Navigation Systems Group Ltd.

Interim Consolidated Financial Statements

For the three and six months ended December 31, 2025 and 2024

(Expressed in Canadian dollars)

(Unaudited)

NOTICE TO READER REPORT

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

Toronto, Ontario
March 2, 2026

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Financial Position
As at December 31, 2025 and June 30, 2025
(Expressed in Canadian dollars)
(Unaudited)

	December 31, 2025	June 30, 2025
Assets		
Current		
Cash	\$ 327,731	
Accounts receivable (Note 4)	17,182	17,182
Sales tax recoverable (Note 5)	47,370	106,275
Prepaid expenses and deposits	31,051	16,052
Total current assets	423,334	139,509
Non-current assets		
Property and equipment (Note 6)	30,131	34,602
Right-of-use assets (Note 7)	318,195	371,227
Total non-current assets	348,326	405,829
Total assets	\$ 771,660	\$ 545,338
Liabilities and Shareholders' Deficiency		
Current		
Bank Indebtedness	\$ -	\$ 83,940
Accounts payable and accrued liabilities (Note 8)	4,289,641	3,999,152
Lease liability – current portion (Note 9)	162,411	151,181
Due to creditors under the terms of the NOI (Note 11)	285,300	285,300
Subscription received in advance	786,900	145,800
Due to related parties (Note 16)	1,407,224	1,311,224
Total current liabilities	6,931,476	5,976,597
Non-current liabilities		
Lease liability (Note 9)	384,826	468,054
Loans payable (Note 10)	129,918	128,418
Total liabilities	7,446,220	6,573,069
Shareholders' Deficiency		
Share capital (Note 12)	48,095,209	47,535,691
Contributed surplus (Note 13)	30,144,020	29,671,188
Deficit	(84,913,789)	(83,234,610)
Total shareholders' deficiency	(6,674,560)	(6,027,731)
Total Liabilities and Shareholders' Deficiency	\$ 771,660	\$ 545,338

Nature of Operations and Going Concern (Note 1)

Approved by the Board

"Allwyn Mendonca"

Director (Signed)

"Randy Koroll"

Director (Signed)

Star Navigation Systems Group Ltd.

Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six month periods ended December 31, 2025 and 2024

(Expressed in Canadian dollars)

(Unaudited)

	Three Months		Six Months	
	2025	2024	2025	2024
Revenue (Note 17)	\$ -	\$ 7,940	\$ -	\$ 14,245
Expenses				
Cost of inventory consumed	-	3,959	-	7,777
General and administrative (Note 18)	210,273	414,418	439,744	619,151
Marketing and promotion (Note 18)	772,160	165,750	1,006,600	296,750
Product maintenance and operating costs (Note 18)	118,517	97,480	224,779	194,626
Foreign exchange gain	-	(1,421)	-	(1,421)
	1,100,950	680,186	1,671,123	1,116,882
Loss from operations	(1,100,950)	(672,246)	(1,671,123)	(1,102,638)
Other income (expenses)				
Rental income	22,920	-	22,920	-
Interest expense	-	-	(1,500)	-
Interest expense – lease liability (Note 9)	(14,290)	(17,716)	(29,476)	(36,202)
Net and comprehensive loss for the period	\$ (1,092,320)	\$ (689,962)	\$ (1,679,179)	\$ (1,138,840)
Basic and diluted loss per common share	(0.001)	(0.002)	(0.001)	(0.001)
Weighted-average number of common shares outstanding	1,413,465,929	1,224,435,329	1,507,610,494	1,224,435,329

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the six month periods ended December 31, 2025 and 2024
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Number of Series I preferred shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total
Balance at June 30, 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(a))	48,025,000	-	480,250	-	-	-	480,250
Fair value of warrants issued on shares for debt (Note 13)	-	-	(230,520)	-	230,520	-	-
Net loss for the period	-	-	-	-	-	(1,138,840)	(1,138,840)
Balance at December 31, 2024	1,272,460,329	615,000	\$ 47,335,691	\$ 5,900	\$ 29,223,660	\$ (80,454,658)	\$ (3,889,407)

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the six month periods ended December 31, 2025 and 2024
(Expressed in Canadian dollars)
(Unaudited)

	Number of common shares	Number of Series I preferred shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Total
Balance at June 30, 2025	1,365,965,929	615,000	\$ 47,535,691	\$ -	\$ 29,671,188	\$ (83,234,610)	\$ (6,027,731)
Issued as shares for debt (Note 12(b))	121,570,000	-	607,850	-	-	-	607,850
Fair value of warrants issued on shares for debt (Note 13)	-	-	(472,832)	-	472,832	-	-
Share Issuance costs	-	-	(22,500)	-	-	-	(22,500)
Private placement	47,500,000	-	475,000	-	-	-	475,000
Net loss for the period	-	-	-	-	-	(1,679,179)	(1,679,179)
Balance at December 31, 2025	1,535,035,929	615,000	\$ 48,095,209	\$ -	\$ 30,144,020	\$ (84,913,789)	\$ (6,674,560)

Star Navigation Systems Group Ltd.
Interim Consolidated Statements of Cash Flows
For the six month periods ended December 31, 2025 and 2024
(Expressed in Canadian dollars)
(Unaudited)

	2025	2024
Operating activities		
Net and comprehensive loss	\$ (1,679,179)	\$ (1,138,840)
Items not affecting cash:		
Amortization of property and equipment	4,471	6,854
Depreciation of right-of-use assets	53,032	53,032
Interest on lease liability	29,476	36,203
Interest on long-term debt	1,500	-
Director's fees	96,000	321,000
	(1,494,700)	(721,751)
Changes in non-cash working capital items:		
Accounts receivables	-	61,993
Sales tax recoverable	58,904	34,058
Prepaid expense	(15,000)	-
Accounts payable and accrued liabilities	290,490	(5,666)
Net cash used by operating activities	(1,160,306)	(631,366)
Financing activities		
Lease liability payments	(101,473)	(98,034)
Loans payable	641,100	-
Issuance of shares, net of issuance costs	1,032,350	480,250
Net cash provided by financing activities	1,571,977	382,216
Net change in cash	411,671	(249,150)
(Bank Indebtedness) Cash, beginning of period	(83,940)	152,942
Cash, end of period	\$ 327,731	\$ 96,208

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At December 31, 2025 and June 30, 2025
(Expressed in Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Star Navigation Systems Group Ltd. (the "Company") is devoting substantially all of its activity to the development, marketing and promotion of an In-flight Safety Monitoring System ("STAR-ISMS®"), whereby data from an aircraft can be transmitted to ground stations for the duration of a flight. The Company has been granted supplemental type certificates for use of the systems on a Boeing 737, 727, Airbus A321, A320, A340 and a Learjet 45. The Company was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (*Ontario*) in May 2000 and its registered address is located at 11 Kenview Blvd, Brampton, Ontario L6T 5G5. The Company is listed on the Canadian Securities Exchange trading under the symbol of "SNA".

Going Concern

These interim unaudited consolidated financial statements (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 \$1,679,179 for the six-month period ended December 31, 2025 (December 31, 2024 – net loss of \$1,138,840), has an accumulated deficit of \$84,913,789 (June 30, 2025 - \$83,234,610) and has working capital deficiency of \$6,508,139 (June 30, 2025 – working capital deficiency of \$5,837,088). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue operations, meet its obligations and realize its investment in development costs is dependent on the continued support from investors and related parties to finance sales to customers, continue the project development, obtain the necessary certifications from regulatory agencies as well as successfully marketing the STAR-ISMS® for gain. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, revenues and expenses, and the financial position classifications used, that may be necessary should the Company be unable to continue as a going concern or be unable to realize its assets and discharge its liabilities in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These financial statements have been prepared on a condensed basis in accordance with the International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board and interpretations of the International Financial Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These financial statements for the three and six month periods ending December 31, 2025 and 2024 should be read together with the annual consolidated financial statements as at and for the year ended June 30, 2025. The same accounting policies and methods of computation were followed in the preparation of these financial statements as were followed in the preparation of and as described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2025. These financial statements were approved by the Board of Directors on March 2, 2026.

(b) Basis of Measurement

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

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At December 31, 2025 and June 30, 2025
(Expressed in Canadian dollars)
(Unaudited)

2. BASIS OF PRESENTATION (Continued)

(c) Functional and Presentation Currency

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

(d) Basis of Consolidation

These financial statements include the accounts of the Company, and its wholly owned subsidiaries, Star Navigation Systems Inc. ("Star"), Star Navigation Systems (Quebec) Inc., and Star Navigation Systems (U.K) Ltd. and its non-wholly owned subsidiary Star-Istoneo Inc. The Company exercises 100% control over each of its subsidiaries and 80% control over its non-wholly owned subsidiary, Star-Istoneo Inc. The non-controlling interest related to Star-Istoneo Inc. has been deemed to be immaterial by management. Star Navigation Systems (Quebec) Inc. and Star Navigation Systems (U.K) Ltd. are inactive. The financial statements of its subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

(e) Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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.

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At December 31, 2025 and June 30, 2025
(Expressed in Canadian dollars)
(Unaudited)

4. ACCOUNTS RECEIVABLE

Accounts receivable are collected on a regular basis.

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Accounts receivable	\$ 17,182	\$ 17,182
Less: Allowance for expected credit losses	-	-
Balance	\$ 17,182	\$ 17,182

The current aging of the accounts receivables outstanding at December 31, 2025 is \$17,182 (June 30, 2025 - \$17,182).

Current	1 - 30	31 - 60	61 - 90	91+	Total
\$	\$	\$	\$	\$	\$
-*	-	-	-	17,182	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 December 31, 2025 amounted to \$47,370 (June 30, 2025 - \$106,275).

Star Navigation Systems Group Ltd.
Notes to Interim Consolidated Financial Statements
At December 31, 2025 and June 30, 2025
(Expressed in Canadian dollars)
(Unaudited)

6. PROPERTY AND EQUIPMENT

	Furniture and Equipment	Computer Equipment and Software	Total
Cost	\$	\$	\$
Balance at June 30, 2024	340,967	542,724	883,691
Additions	-	-	-
Balance at June 30, 2025	340,967	542,724	883,691
Additions	-	-	-
Balance at December 31, 2025	340,967	542,724	883,691
Accumulated Amortization			
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
Amortization for the period	2,786	1,685	4,471
Balance at December 31, 2025	315,891	537,669	853,561
Carrying Amounts			
At June 30, 2025	27,862	6,740	34,602
At December 31, 2025	25,076	5,055	31,131

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:

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Opening Balance	\$ 1,026,307	\$ 1,026,307
Additions	-	-
Balance	\$ 1,026,307	\$ 1,026,307
Accumulated Depreciation		
Opening Balance	\$ 655,080	\$ 549,016
Amortization	53,032	106,064
Balance	\$ 708,112	\$ 655,080
Carrying Amounts		
At June 30, 2025		\$ 371,277
At December 31, 2025	\$ 318,195	

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Trade payables (a)	\$ 279,204	\$ 331,324
Accrued liabilities (b)	4,010,437	3,667,828
	\$ 4,289,641	\$ 3,999,152

(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 December 31, 2028, which was recognized at an incremental borrowing rate of 10%. The following is a continuity of activity during the year:

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Opening balance	\$ 619,234	\$ 749,564
Payments made	(101,473)	(199,504)
Interest on lease liabilities	29,476	69,175
Balance	547,237	619,235
Current portion	(162,411)	(151,181)
Long-term	\$ 384,826	\$ 468,054

The following table outlines the total contractual undiscounted lease payments at December 31, 2025:

2026	\$ 104,912
2027	209,825
2028	213,265
2029	108,352
Less: future interest expense	(89,117)
Total lease liabilities at December 31, 2025	\$ 547,237

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10. LOANS PAYABLE AND SUBSCRIPTION RECEIVED IN ADVANCE

		December 31, 2025 (Unaudited)		June 30, 2025 (Audited)
Canadian Emergency Business Account loan	\$	129,918	\$	128,418
Subscription received in advance	\$	786,900	\$	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 December 31, 2024. If the Company repays \$80,000 of the total loan prior to December 31, 2024 then the balance of \$40,000 will be forgiven. If the balance is not paid by December 31, 2024 then the balance of the loan is converted to a three (3) period term loan with interest at 5% starting on January 1, 2024. The balance of the loan must be paid no later than December 31, 2026. During the six month period ended December 31, 2025, the Company recorded interest expenses of \$1,500 (December 31, 2024 - \$nil) related to the CEBA loan.
- (b) The Company received payments of \$786,900 towards a non-brokered private placement that was closed on December 15, 2025. The Company also reclassified \$5,900 of shares to be issued to subscription received in advance during the year ended June 30, 2025.

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 December 31, 2025, the remaining outstanding balance was \$15,224 (June 30, 2025 - \$15,224).

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 December 31, 2025 and June 30, 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.

12. SHARE CAPITAL

- (a) 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.
- (b) In July 2025 the Company completed a shares for debt transaction. The transaction resulted in the issuance of 121,570,000 units in the capital of the Company ("Units") at a purchase price of \$0.005 per Unit for a total reduction of debt of \$607,850. 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.
- (c) In October 2025 the Company completed 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.

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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 December 31, 2025	55,500,000		\$0.05
Exercisable at December 31, 2025	55,500,000		\$0.05

The Company recognized \$Nil of stock-based compensation for the six month period ended December 31, 2025 (December 31, 2024 - \$Nil).

As at December 31, 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 2.50 years (December 31, 2024 – 4 years).

Warrants

The accounting policy the Company uses for the share purchase warrants follows the guidelines of IAS 32 – Financial Instruments. The Company used the 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.

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

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, 2025	672,377,968	\$0.05
Issued	169,070,000	\$0.05
Expired	103,635,400	\$0.05
Balance at December 31, 2025	737,812,568	\$0.05

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

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Expected dividend yield	-	-
Risk free interest rate	2.69%	2.65%-4.07%
Expected volatility	580%-	509%-580%
Expected life	1.0-5.0 years	1.0-5.0 years
Share price	\$0.005	\$0.005

As at December 31, 2025, the Company had warrants issued and outstanding as follows:

Date of Issue	Warrants Issued	Exercise Price	Expiry Date
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
December 31, 2024	48,025,000	\$0.05	December 31, 2029
February 25, 2025	89,505,600	\$0.05	February 25, 2030
July 4, 2025	121,570,000	\$0.05	July 4, 2030
October 4, 2025	47,500,000	\$0.05	October 4, 2030
Exercised	(47,738,660)	\$0.05	
	737,812,568		

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

Basic and diluted loss per common share based on net loss for the period ended December 31, 2025:

	December 31, 2025 (Unaudited)	December 31, 2024 (Unaudited)
Numerator:		
Net loss the period	\$ (1,679,179)	\$ (1,138,840)
Denominator:		
Weighted average number of common shares outstanding - basic	1,507,610,494	1,224,435,329
Weighted average number of common shares outstanding - diluted	1,507,610,494	1,224,435,329
Loss per common share based on net loss for the period:		
Basic	\$ (0.001)	\$(0.001)
Diluted	\$ (0.001)	\$(0.001)

Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at December 31, 2025:

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Common shares outstanding	1,535,035,929	1,361,965,929
Warrants to purchase common shares	737,812,568	672,377,968
Stock options to purchase common shares	55,500,000	55,500,000
Fully diluted common shares outstanding	2,328,348,497	2,089,843,897

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 \$6,674,560 at December 31, 2025 (June 30, 2025 - (\$6,027,731)) and is comprised of issued share capital, contributed surplus and deficit in the definition of capital.

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall management of capital strategy during the period ended December 31, 2025.

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15. FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Currency risk:

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

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

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

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Cash	\$ -	\$ -
Accounts receivable	17,182	17,182
Accounts payable	(35,487)	(36,999)
	\$ (18,305)	\$ (19,817)

(a) Market Risk

Based on the Company's net exposure to US denominated instruments at December 31, 2025 and June 30, 2025, a sensitivity analysis has not been presented as the impact to profit and loss would be immaterial.

(ii) Interest rate risk:

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

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15. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

The Company does not believe it is exposed to any significant concentration of credit risk. However, as disclosed in Note 17, the Company earns a significant amount of revenue from a few customers. As at December 31, 2025, approximately \$17,182 (June 30, 2025 - \$12,263) of the Company's receivables were past due the average credit period of 90 days. As at December 31, 2025, the Company's allowance for expected credit losses was \$Nil (December 31, 2024 - \$Nil) and bad debt expense for the six month period ended December 31, 2025 was \$Nil (June 30, 2025 - \$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 December 31, 2025, the Company has current liabilities of \$6,931,476 (June 30, 2025 - \$5,976,597) due within 12 months and cash of \$327,731 (June 30, 2025 - bank indebtedness of \$83,940), as well as the CEBA loans payable of \$128,418 due in 2026. At December 31, 2025, the Company had a working capital deficiency of \$6,508,139 (June 30, 2025 - working capital deficiency of \$5,837,088) and accordingly, the Company is subject to significant liquidity risk.

Management will continue to raise capital to develop, market and promote its STAR-ISMS® technology and to maintain its operations. See Note 1 for going concern.

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

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16. RELATED PARTY TRANSACTIONS (Continued)

- (a) Amounts due to related parties at December 31, 2025 is \$2,776,986 (June 30, 2025 - \$2,161,244) and is comprised of the following:

	December 31, 2025 (Unaudited)	June 30, 2025 (Audited)
Due to Directors – (included in Due to related parties)	\$ 1,267,000	\$ 1,189,000
Due to Directors and Officers – (included in Accounts payables and accrued liabilities)	1,369,762	850,020
Due to Committee Chairpersons – (included in Due to related parties)	125,000	107,000
Due to Former Chief Executive Officer (included in related parties)	15,224	15,224
	\$ 2,776,986	\$ 2,161,244

- (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 December 31, 2025:

	December 31, 2025 (Unaudited)			December 31, 2024 (Unaudited)		
	Officers	Directors	Total	Officers	Directors	Total
	\$	\$	\$	\$	\$	\$
Salaries	137,502	-	137,502	137,502	-	137,502
Directors' fees	-	96,000	96,000	-	321,000	321,000
	137,502	96,000	233,502	137,502	321,000	458,502

17. SIGNIFICANT CUSTOMER

During the period ended December 31, 2025, \$Nil (December 31, 2024 – 100%) of the total revenues generated by the Company were generated from Star-A.D.S. sales and \$Nil (December 31, 2024 – Nil%) from repairs and maintenance services on STAR-MMI flat panel display units, which is recognized at a point in time. Remaining sales were recognized over time. During the period ended December 31, 2025, Nil% (December 31, 2024 – 100%) of the revenue was generated from one customer. During the period ended December 31, 2025, Nil% (December 31, 2024 – 100%) of the revenue recognized during the period was generated from customers located in the Middle East.

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18. EXPENSE DISCLOSURES

	December 31, 2025 (Unaudited)	December 31, 2024 (Unaudited)
General and Administrative		
Amortization expense (Note 7)	\$ 53,032	\$ 53,032
Board and committee fees	96,000	321,000
Filing and other fees	19,088	16,279
Insurance	22,269	28,961
Office and general	36,853	49,857
Professional fees	75,000	12,520
Wages	137,502	137,502
Total General & Administrative expenses	\$ 439,744	\$ 619,151
Product maintenance and Operating costs		
Amortization expense (Note 6)	\$ 4,471	\$ 6,853
Product maintenance and Operating costs	13,174	3,879
Wages	207,134	183,894
Total Product Maintenance and Operating expenses	\$ 224,779	\$ 194,626
Marketing and Promotion		
Consultant costs	\$ 991,160	\$ 290,500
Wages	-	6,250
Travel costs	15,440	-
Total Marketing & Promotion expenses	\$ 1,006,600	\$ 296,750

19. SEGMENT INFORMATION

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

20. SUBSEQUENT EVENTS

The Company closed a non-brokered private placement of 88,660,000 units in the capital of the Company ("Units") at a purchase price of \$0.01 per Unit for total gross proceeds of \$886,600. 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.