

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934.**

For the quarterly period ended: June 30, 2016

**TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from: _____ to _____

333-90031
Commission file number

Northstar Electronics, Inc.

Exact name of small business issuer as specified in its charter

Delaware
State or other jurisdiction
of organization

33-0803434
IRS Employee incorporation
or Identification No.

2020 General Booth Blvd, Unit 230,
Virginia Beach, VA, USA 23451
Address of principal executive offices

(604) 685-0364
Issuer's telephone number

Not Applicable
Former name, former address and former fiscal year, if changed since last report

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No Not Applicable

Applicable only to corporate issuers:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Common shares as of July 30, 2016: **83,506,767**

Transitional Small Business Disclosure Format (check one): Yes No

Table of Contents

<u>PART I - FINANCIAL INFORMATION</u>	4
<u>Item 1. Financial Statements</u>	4
<u>Consolidated Balance Sheets</u>	4
<u>Consolidated Statements of Operations</u>	5
<u>Consolidated Statement of Changes in Stockholders' Equity</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis or Plan of Operation.</u>	10
<u>Item 3. Controls and Procedures</u>	12
<u>PART II - OTHER INFORMATION</u>	12
<u>Item 1. Legal Proceedings.</u>	12
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	12
<u>Item 3. Defaults Upon Senior Securities.</u>	12
<u>Item 4. Submission of Matters to a Vote of Security Holders.</u>	12
<u>Item 5. Other Information.</u>	12
<u>Item 6. Exhibits</u>	12
<u>SIGNATURES</u>	13

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHSTAR ELECTRONICS, INC. Consolidated Balance Sheets (US Dollars)

	June 30, 2016	December 2015
	unaudited	audited
Assets		
Current		
Cash and cash equivalents	\$ 3,887	\$
Prepaid expenses	--	
	3,887	
Total assets	\$ 3,887	\$
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 454,319	\$
Loans payable	404,276	
Due to Directors	519,395	
	1,377,990	
Long-term debt		--
		1,377,990
Stockholders' Deficit		
Authorized:		
200,000,000 Common shares with a par value of \$0.0001 each		
20,000,000 Preferred shares with a par value of \$0.0001 each		
Issued and outstanding:		
83,506,767 Common shares (79,396,847 - December 31, 2015)	8,351	
515,621 Preferred series A shares (535,496 - December 31, 2015)	421,209	
Additional Paid-in Capital	8,177,024	
Accumulated Other Comprehensive Income (Loss)	134,035	
Loss on discontinued operations	(4,072,358)	
Contingency reserve	7,500,000	
Accumulated Deficit	(12,780,130)	
Deficit accumulated in the development stage	(762,234)	
	(1,374,103)	
	\$ 3,887	\$

See notes to the consolidated financial statements

Nature of operations and going concern (note 1) Contingent liabilities (note 3)

NORTHSTAR ELECTRONICS, INC.
Consolidated Statements of Operations
Three and Six Months Ended June 30, 2016 and 2015
Unaudited
U.S. Dollars

	Three Months		
	2016	2015	2016
Revenue	\$ --	\$ --	\$ --
Cost of goods sold	--	--	--
Gross margin	--	--	--
Expenses			
Salaries	--	--	--
Management fees	12,500	12,500	25,000
Administrative fees	6,250	6,250	12,500
Professional fees	5,625	--	13,500
Foreign exchange	371	(651)	300
Engineering research and development	84,000	--	84,000
Investor relations	2,050	--	2,050
Marketing and sales	42,000	--	42,000
Office and administration	7,138	3,664	11,179
Travel and business development	--	--	--
Total expenses	159,934	21,763	190,529
Net loss for the period	\$ (159,934)	\$ (21,763)	\$ (190,529)
Interest expense	(4,364)	-	(4,364)
Comprehensive (loss) for the period	(164,298)	(21,763)	(194,893)
Net (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding	80,751,807	70,771,847	80,074,327

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statement of Changes in Stockholders' Equity
Six Months Ended June 30, 2016
Unaudited
U.S. Dollars

	Number of Shares	Par Value	Additional Paid-In Capital	Other Compre- hensive Income (Loss)	Accumulated Deficit	Preferred Shares	T Stockhol De
Balance December 31, 2015	79,396,847	\$ 7,940	\$ 8,105,572	\$ 3,561,676	\$ (13,347,471)	456,209	\$
Issuance of common stock							
For cash	2,678,520	268	32,232	-	-	-	-
Conversion of preferred	1,431,400	143	39,220	1	(4,364)	(35,000)	-
Net loss for six months	-	-	-	-	(190,529)	-	-
Balance June 30, 2016	83,506,767	\$ 8,351	\$ 8,177,024	\$ 3,561,677	\$ (13,542,364)	421,209	\$

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2016 and 2015
Unaudited
U.S. Dollars

	2016		
Operating Activities			
Net income (loss)	\$	(194,893)	\$
Adjustments to reconcile net income (loss) to net cash used by operating activities			
Equity based compensation		25,000	
Issuance of common stock for interest expense		4,364	
Changes in accounts payable		138,503	
Net cash (used) provided by operating activities		(27,026)	
Investing Activities			
Property and equipment		--	
Net cash (used) provided by investing activities		--	
Financing Activities			
Issuance of common shares for cash (net of costs)		32,500	
Loans payable		(20,000)	
Advances from (repayment to) directors		(5,339)	
Net cash (used) provided by financing activities		7,161	
Effect of foreign exchange on translation		--	
Inflow (outflow) of cash		(19,865)	
Cash, beginning of period		23,752	
Cash, end of period	\$	3,887	\$
Supplemental information			
Interest paid	\$	0	\$
Shares issued for prepaid expense	\$	0	\$
Shares issued for loan repayment	\$	0	\$
Corporate income taxes paid	\$	0	\$

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.
Notes to Consolidated Financial Statements
Six Months Ended June 30, 2016
Unaudited
U.S. Dollars

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Northstar Electronics Inc (the "Company") was incorporated on May 11, 1998 in the state of Delaware. These financial statements are consolidated with the Company's wholly owned subsidiary, National Five Holding Ltd. Any intercompany transactions have been eliminated on consolidation.

The Company's business activities are conducted principally in Canada but these financial statements are prepared in accordance with accounting principles generally accepted in the United States with all figures translated into United States dollars for reporting purposes.

These unaudited consolidated interim financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States for interim financial information, are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's audited consolidated financial statements filed as part of the Company's December 31, 2015 Form 10-K and amendments.

In the opinion of the Company's management, this consolidated interim financial information reflects all adjustments necessary to present fairly the Company's consolidated financial position at June 30, 2016 and the consolidated results of operations and the consolidated cash flows for the three and six months then ended. The Company is in the process of regenerating its operations in the aviation field.

The results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the entire fiscal year. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the six months to June 30, 2016 the Company incurred a net loss of \$194,893 and at June 30, 2016 had a working capital deficiency (an excess of current liabilities over current assets) of \$1,374,103 (December 31, 2015: \$1,216,074. The Company is contingently liable for approximately \$7,500,000 to repay assistance received under the Atlantic Innovation Fund (see also note 3).

Management has undertaken initiatives for the Company to continue as a going concern; for example: the Company is attempting to secure an equity financing in the short term. Management is unable to predict the results of its initiatives at this time.

Should management be unsuccessful in its initiative to finance its operations the Company's ability to continue as a going concern is not certain. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

2. SHARE CAPITAL

COMMON STOCK

During the three months ended June 30, 2016 the Company issued the following common shares of stock:

- 1,278,520 shares for cash of \$12,500
- 1,400,000 shares for cash of \$20,000
- 1,400,000 shares for conversion of 19,875 preferred shares valued at \$35,000
- 31,400 shares for \$4,364 interest expense

PREFERRED STOCK

Issued for cash:

The preferred shares bear interest at 10% per annum paid semiannually not in advance and are convertible to shares of common stock of the Company after two years from receipt of funds at a 20% discount to the then current market price of the Company's common stock. The preferred shares may be converted after six months and before two years under similar terms but with a 15% discount to market. At June 30, 2016 the Company had 515,621 preferred shares outstanding valued at \$421,209.

3. CONTINGENCIES

The Company is contingently liable to repay \$2,294,755 in assistance received under the Atlantic Innovation Fund, repayable annually at the rate of 5% of gross revenues from sales of products resulting from the Company's research and development project. The Company became in default of this conditional loan, was unable to represent itself in Newfoundland court and ACOA was awarded a \$7,500,000 judgment against the Company. The Company generated negligible revenues from the program and is in absolute disagreement with this outcome.

4. NEW ACCOUNTING PRONOUNCEMENTS

Management does not believe that any recently issued but not yet effective accounting pronouncements if currently adopted would have a material effect on the accompanying consolidated financial statements.

Item 2. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with the accompanying unaudited consolidated financial information for the six month periods ended June 30, 2016 and June 30, 2015 prepared by management and the consolidated financial statements for the twelve months ended December 31, 2015 as presented in the Form 10K as filed.

Special Note Regarding Forward Looking Statements

Certain statements in this report and elsewhere (such as in other filings by the Company with the Securities and Exchange Commission ("SEC"), press releases, presentations by the Company of its management and oral statements) may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and "should," and variations of these words and similar expressions, are intended to identify these forward-looking statements. Actual results may materially differ from any forward-looking statements. Factors that might cause or contribute to such differences include, among others, competitive pressures and constantly changing technology and market acceptance of the Company's products and services. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Company's Services

We continue to move in a new direction whereby we intend to build our own systems in the civilian aviation sector. We believe that this affords improved control over our business outcomes.

The Company is working on plans to obtain rights to a single engine turbo prop airplane with industrial applications. If successful, we intend to manufacture the airplane and market it internationally. We also intend to provide Maintenance, Repair and Overhaul (MRO) services in close proximity to customers. The Company's wholly owned subsidiary, National Five Holding Ltd, is a 60% shareholder of Northstar Sealand Enterprises Ltd (NSEL). The constituent parts of NSEL have experience in working on certified commercial aircraft and government military contracts, and have access to an established aircraft parts manufacturing facility.

Results of Operations

Comparison of the three and six months ended June 30, 2016 with the three and six months ended June 30, 2015:

Gross revenues from all sources for the three month period ended June 30, 2016 were \$0 compared to \$0 in the comparative prior three month period. Gross revenues from all sources for the six month period ended June 30, 2016 were \$0 compared to \$0 in the comparative prior six month period. The Company has not generated revenue as it continues to reorganize its business.

The net loss for the three month period ended June 30, 2016 was \$(164,298) compared to a net loss of \$(53,755) for the three months ended June 30, 2015. The increase in net loss for the three and six month period was in part due to the fact the Company incurred engineering expenses related to its venture development and sales/marketing expense in determining market acceptance of its venture.

Comparison of Financial Position at June 30, 2016 with December 31, 2015

The Company's working capital deficiency increased at June 30, 2016 to \$1,374,103 with current liabilities of \$1,377,990 which are in excess of current assets of \$3,887. At December 31, 2015 the Company had a working capital deficiency of \$1,216,074. See also contingent liabilities, note 3 to the financial statements for the six months ended June 30, 2016.

Critical Accounting Policies and Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the footnotes to our annual financial statements at December 31, 2015. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Although these estimates are based on our knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Certain accounting policies involve significant judgments and assumptions by us and have a material impact on our financial condition and results. Management believes its critical accounting policies reflect its most significant estimates and assumptions used in the presentation of our financial statements. Our critical accounting policies include revenue recognition, accounting for stock based compensation and the evaluation of the recoverability of long-lived and intangible assets. We do not have off-balance sheet arrangements, financings or other relationships with unconsolidated entities or other persons, also known as "special purpose entities".

Liquidity and Capital Resources

Cash outflow from operations for the six months ended June 30, 2016 was \$(27,026) compared to an outflow of cash of \$(16,255) in the comparative prior six months ended June 30, 2015. During the current period, the Company received \$32,500 (\$0 in the comparative prior period) from equity funding and received \$0 (received \$0 in the comparative period) long term debt leaving cash on hand at June 30, 2016 of \$3,887 compared to cash on hand of \$23,752 at December 31, 2015. Until the Company receives revenues from new contracts it will be dependent upon equity and loan financings to compensate for the outflow of cash anticipated from operations.

At this time, no commitment for funding has been made to the Company.

The Company's continued operations are dependent upon obtaining revenues from outside sources or raising additional funds through debt or equity financing.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Based on the evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of the date of this Quarterly Report on Form 10-Q, our chief executive officer and chief financial officer has concluded that our disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner. The disclosure controls were effective at June 30, 2016.

(b) Changes in internal controls

There were no changes in our internal controls or in other factors that could affect these controls subsequent to the date of their most recent evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

No change since previous filing.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the six months ended June 30, 2016 the Company issued the following shares of common stock:

- 1,278,520 shares for cash of \$12,500
- 1,400,000 shares for cash of \$20,000
- 1,400,000 shares for conversion of 19,875 preferred shares valued at \$35,000
- 31,400 shares for \$4,364 interest expense

Item 3. Defaults Upon Senior Securities.

No change since previous filing.

Item 4. Submission of Matters to a Vote of Security Holders.

No change since previous filing.

Item 5. Other Information.

No change since previous filing

Item 6. Exhibits

No change

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 10, 2016

Northstar Electronics, Inc.
(Registrant)

By: /s/ Wilson Russell
Wilson Russell, PhD, President and Chief Financial Officer