

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, 2018

**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.

355 Burrard Street, Suite 1000  
Vancouver, BC, Canada V6C 2G8  
Address of principal executive offices

(778) 838-3313  
Issuer's telephone number

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, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer

Accelerated Filer

Non-accelerated filer

Smaller reporting Company

(Do not check if a smaller reporting company)

Emerging growth company

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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 August 13, 2018: **101,569,815**

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

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**PART I - FINANCIAL INFORMATION**

**Item 1. Interim Consolidated Financial Statements**

**NORTHSTAR ELECTRONICS, INC.**  
**Consolidated Balance Sheets**  
**(U.S. Dollars)**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>unaudited</b>	<b>audited</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 8,729	\$ 16,438
	8,729	16,438
<b>Total assets</b>	\$ 8,729	\$ 16,438
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,055,115	\$ 941,115
Loans payable	439,166	434,291
Due to Director	478,299	424,538
Legal liability	2,908,711	3,001,471
<b>Total liabilities</b>	4,881,291	4,801,415
<b>Stockholders' Deficit</b>		
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		
<b>Issued and outstanding:</b>		
101,569,815 Common shares (98,579,815 - December 31, 2017)	10,157	9,858
597,716 Preferred shares (597,716 - December 31, 2017)	404,299	404,299
<b>Additional Paid-in Capital</b>	8,361,502	8,333,396
<b>Subscription Receivable</b>	-	(5,035)
<b>Accumulated Deficit</b>	(13,648,521)	(13,527,495)
<b>Total stockholders' deficit</b>	(4,872,563)	(4,784,977)
	\$ 8,729	\$ 16,438

See notes to the interim consolidated financial statements

Nature of operations and going concern (note 1)

**NORTHSTAR ELECTRONICS, INC.**  
**Interim Consolidated Statements of Operations**  
**Three and Six Months Ended June 30, 2018 and 2017**  
**Unaudited**  
**U.S. Dollars**

	Three Months		Six Months	
	2018	2017	2018	2017
<b>Expenses</b>				
Management fees	\$ 30,000	\$ 30,000	\$ 60,000	\$ 45,000
Administrative fees	15,000	15,000	30,000	30,000
Professional fees	10,570	17,500	15,750	24,250
Foreign exchange (gain) loss	(57,136)	(6,086)	(141,372)	17,180
Engineering research and development	28,000	-	60,000	15,000
Investor relations	475	25,490	1,250	26,275
Interest	25,237	24,605	50,709	48,670
Marketing and sales	12,000	-	24,000	-
Office	9,740	6,241	20,689	12,772
<b>Total expenses</b>	<b>73,886</b>	<b>112,750</b>	<b>121,026</b>	<b>219,147</b>
<b>Net loss for the period</b>	<b>\$ (73,886)</b>	<b>\$ (112,750)</b>	<b>\$ (121,026)</b>	<b>\$ (219,147)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>100,321,244</b>	<b>93,551,482</b>	<b>99,455,340</b>	<b>90,593,537</b>

See notes to the interim consolidated financial statements

**NORTHSTAR ELECTRONICS, INC.**  
**Interim Consolidated Statement of Changes in Stockholders' Deficit**  
**Six Months Ended June 30, 2018**  
**Unaudited**  
**U.S. Dollars**

	Number of Shares	Par Value	Additional Paid-In Capital	Subscriptions receivable	Accumulated Deficit	Preferred Shares	Total Stockholders' Deficit
<b>Balance December 31, 2017</b>	98,579,815	\$ 9,858	\$ 8,333,396	\$ (5,035)	\$(13,527,495)	\$ 404,299	\$ (4,784,977)
Subscription collected (note 2)	-	-	-	5,035	-	-	5,035
Issuance for cash	2,990,000	299	28,106	-	-	-	28,405
Net loss	-	-	-	-	(121,026)	-	(121,026)
<b>Balance June 30, 2018</b>	101,569,815	\$ 10,157	\$ 8,361,502	\$ -	\$(13,648,521)	\$ 404,299	\$ (4,872,563)

See notes to the interim consolidated financial statements

**NORTHSTAR ELECTRONICS, INC.**  
**Interim Consolidated Statements of Cash Flows**  
**Six Months Ended June 30, 2018 and 2017**  
**Unaudited**  
**U.S. Dollars**

	2018	2017
<b>Operating Activities</b>		
Net loss	\$ (121,026)	\$ (219,147)
Items not involving cash		
Foreign exchange (gain) loss	(141,372)	17,434
Non-cash interest	50,709	48,670
Non-cash investor relations	-	24,500
Changes in non-cash working capital		
Changes in operating assets and liabilities	116,939	96,690
<b>Net cash used in operating activities</b>	<b>(94,750)</b>	<b>(31,853)</b>
<b>Financing Activities</b>		
Issuance of common shares for cash (net of costs)	28,405	32,500
Loans payable	4,875	-
Increases in debt to directors	53,761	-
<b>Net cash provided by financing activities</b>	<b>87,041</b>	<b>32,500</b>
Increase (decrease) in cash	(7,709)	647
Cash, beginning	16,438	6,078
Cash, ending	\$ 8,729	\$ 6,725
<b>Non-cash Transactions</b>		
Shares issued for services	\$ -	\$ 19,500
Warrants issued for services	-	5,000
	\$ -	\$ 24,500

See notes to the interim consolidated financial statements

**NORTHSTAR ELECTRONICS, INC.**  
**Notes to Interim Consolidated Financial Statements**  
**Six Months Ended June 30, 2018**  
**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. The Company is doing research and development on single engine aircrafts for business use.

The Company's business activities are conducted in Canada. However, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) with all figures translated into United States dollars for financial reporting purposes.

These unaudited consolidated interim financial statements have been prepared by management in accordance with GAAP 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, 2017 Form 10-K.

The results of operations for the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the entire fiscal year. The accompanying interim 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, 2018, the Company incurred a net loss of \$121,026 and at June 30, 2018 had a working capital deficiency of \$4,872,562.

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. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

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 six months ended June 30, 2018 the Company issued 2,990,000 units for cash proceeds of \$28,405. Each unit consists of one common share and half a share purchase warrants. Each share purchase warrant can be exercised at \$0.05 per share for a period of one year. The Company received a subscription of \$5,035 related to issuance in prior year.

### PREFERRED SHARES

All classes of 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, 2018, the outstanding number of preferred Classes A, B and C shares are 582,716 (December 31, 2017: 582,716), 15,000 (December 31, 2017: 15,000) and nil (December 31, 2017: nil), respectively.

### WARRANTS

	<b>Number of Warrants</b>	<b>Average Exercise Price per Share</b>
Balance December 31, 2017	5,157,440	\$0.13
Issued	1,495,000	\$0.01
Balance June 30, 2018	6,652,440	\$0.12

As at June 30, 2018 the outstanding warrants are as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Open (1)	\$ 0.50	389,170	389,170
Open (1)	\$ 0.75	389,170	389,170
Open (2)	\$ 0.25	51,600	51,600
April 21, 2019	\$ 0.04	2,500,000	2,500,000
November 7, 2018	\$ 0.05	1,562,500	1,562,000
December 25, 2018	\$ 0.05	265,000	265,000
May 18, 2019	\$ 0.05	1,495,000	--
Total outstanding and exercisable		6,652,440	5,157,440
Weighted average outstanding life of options (years)		0.61 - Open	0.94 - Open

- (1) These warrants were issued in 2005. The expiry date of the warrants are six months after the closing bid price for the common stock of the Company has been over \$0.65 and \$1.00 per share respectively for five consecutive trading days.
- (2) These warrants were issued in 2008 and they do not have an expiry date.

### **3. LEGAL LIABILITY**

During 2000 to 2008, the Company's former subsidiaries North Star Technical Inc. ("NTI") and Northstar Network Ltd. ("NNL") received funding from Atlantic Canada Opportunities Agency ("ACOA") to fund their projects. In accordance with agreements signed between NTI, NNL and the Company, the Company was jointly and severally liable for the obligations. In 2013, ACOA filed claims against NTI, NNL and the Company for repayments of advances due to events of default. The advance and interests ACOA claims totaled CAD\$3,079,475 (\$2,338,553). Further, the claim amount bears a daily interest of \$358 from February 15, 2013 to settlement. During the six months ended June 30, 2018, the Company recorded interest expenses of \$50,709.

### **4. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2018, the Company accrued management fees payable of \$60,000 in total to a director of the company.

At June 30, 2018, there is a balance of \$478,299 (December 31, 2017: \$424,538) owing to a director of the Company for management fees and expenses reimbursement. The balance is included in accounts payable and accrued liabilities.

### **5. 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.

### **6. SUBSEQUENT EVENT**

There were no material events outside of the normal course of business.

## **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, 2018 and June 30, 2017 prepared by management and the consolidated financial statements for the year ended December 31, 2017 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 currently working on plans to obtain ownership 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, 2018 with the three and six months ended June 30, 2017:

The net loss for the three month period ended June 30, 2018 was \$(73,886) compared to a net loss of \$(112,750) for the three months ended June 30, 2017.

The net loss for the six month period ended June 30, 2018 was \$(121,026) compared to a net loss of \$(219,147) for the six months ended June 30, 2017.

The decrease in net loss for the three and six month period was in part due to the fact the Company incurred a foreign exchange gain.

### **Comparison of Financial Position at June 30, 2018 with December 31, 2017**

The Company's working capital deficiency increased at June 30, 2018 to \$(4,872,562) with current liabilities of \$4,881,291 which are in excess of current assets of \$8,729. At December 31, 2017 the Company had a working capital deficiency of \$(4,784,977). See also contingent liabilities, note 3 to the financial statements for the six months ended June 30, 2018.

### **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, 2017. 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, 2018 was \$(94,750) compared to an outflow of cash of \$(31,853) in the comparative prior six months ended June 30, 2017. During the current period, the Company received \$28,405 (\$32,500 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, 2018 of \$8,729 compared to cash on hand of \$16,438 at December 31, 2017. Until the Company receives revenues from its new potential business it will be dependent upon equity funding and loan financings to compensate for the outflow of cash anticipated from operations.

At this time, although the Company is in discussions with potential equity investing companies, no commitment for funding has yet 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, 2018.

#### **(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, 2018 the Company issued 2,990,000 units for cash proceeds of \$28,405. Each unit consists of one common share and half a share purchase warrants. Each share purchase warrant can be exercised at \$0.05 per share for a period of one year. The Company received a subscription of \$5,035 related to issuance in prior year.

### **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 13, 2018

**Northstar Electronics, Inc.**

(Registrant)

By: /s/ Wilson Russell

Wilson Russell, PhD, President and Chief  
Financial Officer