

NORTHSTAR ELECTRONICS INC  
Form 10QSB  
May 16, 2006

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

**Form 10-QSB**

**QUARTERLY REPORT** UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **March 31, 2006**

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM **n/a** to **n/a**

**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.

**Suite # 1455- 409 Granville Street,  
Vancouver, British Columbia, Canada V6C 1T2**

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

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 April 26, 2006: 17,360,374**

Transitional Small Business Disclosure Format (check one):

Yes  No

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

NORTHSTAR ELECTRONICS, INC. Consolidated Financial Statements

Three Months Ended March 31, 2006 - U.S. Dollars

**Unaudited - Prepared by management**

Consolidated Balance Sheets at March 31, 2006 and at December 31, 2005

Consolidated Statements of Operations for the Three Months Ended March 31, 2006 and 2005

Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2006

Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2006 and 2005

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## NORTHSTAR ELECTRONICS, INC.

## Consolidated Balance Sheets

U.S. Dollars

	March 31	December 31
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>	<b>unaudited</b>	audited
Current		
Cash	\$ 32,971	\$ 46,905
Receivables	232,766	819,419
Inventory and work in progress	477,048	440,707
Prepaid expenses	<u>27,088</u>	<u>24,864</u>
Total Current Assets	769,873	1,331,895
Intangible asset	29,025	37,285
Property and equipment	<u>79,203</u>	<u>78,193</u>
Total Assets	<u>\$878,101</u>	<u>\$1,447,373</u>
<b>LIABILITIES</b>		
Current Accounts payable and accrued liabilities	\$916,285	\$1,372,745
Loans payable	50,000	50,000
Deferred revenue	346,296	461,544
Current portion of long term debt	<u>152,266</u>	<u>148,988</u>
Total Current Liabilities	1,464,847	2,033,277
Long term debt	785,082	706,962
Due to Cabot Management Limited	89,538	89,873
Due to Director	<u>122,207</u>	<u>120,055</u>
Total Liabilities	<u>2,461,674</u>	<u>2,950,167</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock		
Authorized		
100,000,000 shares of common stock with a par value of \$0.0001 each		
20,000,000 shares of preferred stock with a par value of \$0.0001 each		
Issued and outstanding		
17,254,986 shares of common stock	1,725	1,706

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(17,060,715 December 31, 2005)		
Additional paid in capital	3,868,320	3,829,439
Other comprehensive income (loss)	(172,256)	(178,992)
Deficit	<u>(5,281,362)</u>	<u>(5,154,947)</u>
Total Stockholders' Equity (Deficit)	<u>(1,583,573)</u>	<u>(1,502,794)</u>
Total Liabilities and Stockholders' Equity	<u>\$878,101</u>	<u>\$1,447,373</u>

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.  
Consolidated Statements of Operations  
Three Months Ended March 31, 2006 and 2005  
Unaudited  
U.S.Dollars

	<u>2006</u>	<u>2005</u>
Revenue – note 4	\$636,943	\$293,387
Discounts	<u>39,565</u>	<u>9,537</u>
Revenue net of discounts	597,378	283,850
Cost of goods sold	<u>244,144</u>	<u>63,892</u>
Gross margin	353,234	219,958
Other income	<u>3,163</u>	<u>3,522</u>
	<u>356,397</u>	<u>223,480</u>
Expenses		
Salaries	271,768	206,197
Financial consulting	30,450	24,197
Professional fees	18,550	47,371
Research and development	24,949	51,703
Advertising and marketing	24,238	13,695
Rent	31,096	29,437
Investor relations	1,125	8,656
Office	23,607	18,228
Travel and business development	27,590	13,367
Interest on debt	5,371	6,890
Telephone and utilities	12,627	9,509
Amortization	6,926	7,653
Bank charges and interest	3,732	600
Transfer agent	<u>783</u>	<u>308</u>
	<u>482,812</u>	<u>437,811</u>
Net (loss) for period	\$( <u>126,415</u> )	\$( <u>214,331</u> )
Net (loss) per share	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	17,212,037	16,010,769

See notes to the consolidated financial statements

## NORTHSTAR ELECTRONICS, INC.

## Consolidated Statement of Changes in Stockholders' Equity

Three Months Ended March 31, 2006

Unaudited

U.S. Dollars

				Other		
			Additional	Compre-	Accumu-	Total
			Paid in	hensive	lated	Stockholder
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Income</u>	<u>Deficit</u>	<u>Equity</u> <u>(Deficit)</u>
Balance December 31, 2005	17,060,715	\$1,706	\$3,829,439	\$(178,992)	\$(5,154,947)	\$(1,502,794)
Net loss for three months	-	-	-	-	(126,415)	(126,415)
Currency translation adjustment	-	-	-	6,736	-	6,736
Issuance of common stock: -for services	194,271	19	38,881	-	-	38,900
Balance March 31, 2006	17,254,986	\$1,725	\$3,868,320	\$(172,256)	\$(5,281,362)	\$(1,583,573)

See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.  
Consolidated Statements of Cash Flows  
Three Months Ended March 31, 2006 and 2005  
Unaudited  
U.S.Dollars

	<u>2006</u>	<u>2005</u>
Operating Activities		
Net income (loss)	\$(126,415)	\$(214,331)
Adjustments to reconcile net income (loss) to net cash used by operating activities		
Amortization	6,926	7,653
Issuance of common stock for services	38,900	29,388
Changes in operating assets and liabilities	<u>(22,084)</u>	<u>109,432</u>
Net cash (used) provided by operating activities	<u>(102,673)</u>	<u>(67,858)</u>
Investing Activities		
Property and equipment	=	<u>(13,335)</u>
Net cash (used) provided by investing activities	=	<u>(13,335)</u>
Financing Activities		
Issuance of common shares for cash	0	20,487
Increase (repayment) of long term debt	84,582	90,715
Due to Cabot Management Limited	-	(1,820)
Advances from (repayment to) director	<u>2,483</u>	<u>(7,767)</u>
Net cash (used) provided by financing activities	<u>87,065</u>	<u>101,615</u>
Effect of foreign exchange on translation	<u>1,674</u>	<u>(16,619)</u>
Inflow (outflow) of cash	(13,934)	3,803
Cash, beginning of period	<u>46,905</u>	<u>57,641</u>

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Cash, end of period	\$ <u>32,971</u>	\$ <u>61,444</u>
Supplemental information		
Interest paid	\$5,371	\$6,890
Shares issued for services	\$38,900	\$29,388
Corporate income taxes paid	\$0	\$0



See notes to the consolidated financial statements

NORTHSTAR ELECTRONICS, INC.  
Notes to Consolidated Financial Statements  
Three Months Ended March 31, 2006  
Unaudited  
U.S. Dollars

## 1. ORGANIZATION AND BASIS OF PRESENTATION

These financial statements include the accounts of Northstar Electronics, Inc. (“the Company”) and its wholly owned subsidiaries Northstar Technical Inc. (“NTI”) and Northstar Network Ltd. (“NN”). All inter company balances and transactions are eliminated. The Company was incorporated May 11, 1998 in the State of Delaware and had no operations other than organizational activities prior to the January 1999 merger with NTI described as follows: On January 26, 1999 the Company completed the acquisition of 100% of the shares of NTI. The Company, with the former shareholders of NTI receiving a majority of the total shares then issued and outstanding, effected the merger through the issuance of 4,901,481 shares of common stock from treasury. The transaction has been accounted for as a reverse take over resulting in the consolidated financial statements including the results of operations of the acquired subsidiary prior to the merger.

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, 2005 Form 10-KSB.

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 March 31, 2006 and the consolidated results of operations and the consolidated cash flows for the three months then ended. For the three months ended March 31, 2006, 49% of the Company’s revenues were generated from one contract (March 31, 2005, 6% of the Company’s revenues were generated from one contract) – the Company is continually marketing its services for follow on contracts.

The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the entire fiscal year.

The accompanying 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 three months to March 31, 2006 the Company incurred a net loss of \$126,415 (year to December 31, 2005: \$984,768) and at March 31, 2006 had a working capital deficiency (an excess of current liabilities over current assets) of \$694,974 (December 31, 2005: \$701,382), including \$152,266 of long term debt due within one year (December 31, 2005: \$148,988). Management has undertaken initiatives for the Company to continue as a going concern:

for example, the Company is negotiating to secure an equity financing in the short term and is in discussions with several financing firms. The Company also expects to increase revenues in 2006 from sales of its NETMIND system and related products. As well, the Company has been awarded a submarine control console manufacturing contract and has submitted a proposal to participate in the manufacture of an under water aircraft carrier or port anti terrorism system, which is now anticipated to be awarded in 2006. These initiatives are in recognition that for the Company to continue as a going concern it must generate sufficient cash flow to cover its obligations and expenses. In addition, management believes these initiatives can provide the Company with a solid base for profitable operations, positive cash flows and reasonable growth. The Company is benefiting from funding in the amount of \$400,000 USD from a government agency as part of a \$540,000 USD international marketing program for its NETMIND system. The ACOA funding is provisionally repayable based on a percentage of Netmind sales that come from any new markets. 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 uncertain. 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. COMMON STOCK

During the three months ended March 31, 2006, the following shares of common stock were issued:  
For services: 194,271 shares fairly valued at \$38,900 at the market value of those services

## 3. LONG TERM DEBT

Balance due Atlantic Canada Opportunities Agency ("ACOA") December 31, 2005	\$855,950
Increase in ACOA funding during the quarter	84,582
Effect of foreign exchange	(3,184)
Balance due ACOA March 31, 2006	937,348
Less current portion	<u>152,266</u>
	<u>\$785,082</u>

## 4. REVENUE

	Three months 2006	Three months 2005
Revenue consists of: NETMIND sales	\$181,118	\$167,458
Contract sales	311,001	17,169
Government assistance	<u>144,824</u>	<u>108,760</u>
	<u>\$636,943</u>	<u>\$293,387</u>

## 5. STOCK BASED COMPENSATION

The Company adopted SFAS 123R with respect to share based payment and granting of stock Options. During the three months ended March 31, 2006 there is no impact on the Company's financial statements and there is no deferred stock based compensation balance related to stock options at March 31, 2006.

## 6. CONTINGENCIES

(i) The Company is a defendant in a lawsuit commenced against them in 1999 by their former master distributor. The former distributor has alleged that the Company has interfered with the ability of the former distributor to sell products. The Company has filed a counter claim for monies owing by the former distributor to the Company.

(ii) The Company is contingently liable to repay \$1,873,392 in assistance received under the Atlantic Innovation Fund. The assistance is repayable annually commencing August 1, 2006 at the rate of 5% of gross revenues from sales of products resulting from the Aquacom research and development project. Gross revenues are to be calculated for the fiscal year immediately preceding the due date of the respective payment. Repayment is to continue until the assistance is repaid in full. At March 31, 2006 nil amounts are owing.

### **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 three month periods ended March 31, 2006 and March 31, 2005 prepared by management and the audited consolidated financial statements for the twelve months ended December 31, 2005 as presented in the Form 10KSB.

Although the Company has experienced a net loss this quarter, it continues to expend considerable effort in developing new markets for NETMIND, in developing new advanced sonar products, and in securing new contracts for the manufacture of military anti-terrorism systems, submarine command and control consoles, multi mode fiber optic cables for military fighter planes, and precision machined parts and other components for defense systems.

The Company believes that its overall business prospects look promising and anticipates increased revenues in the near to medium future.

### **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**

The Company, through its subsidiaries, is an underwater sonar technology developer, a defense electronics manufacturer and a defense systems integrator.

## **Underwater Sonar Products and Technologies**

### **a - The NETMIND System**

The Company's first underwater sonar product based on our core technology was the NETMIND system. NETMIND's market is the world's commercial fishing industry and government oceanic research agencies. One of our largest customers has been the United States National Oceanic and Atmospheric Administration (NOAA).

NETMIND is both a conservation tool as well as an efficiency tool. Electronic sensors attached to a fishing trawl measure the height and width of the net opening, the water temperature, the depth of the net and the amount of fish caught plus other parameters. The sensor information is transmitted via a wireless communications link back to the ship.

NETMIND helps prevent over fishing and allows fishermen to catch fewer fish and still make profits. This gives regulators flexibility in reducing quotas when attempting to conserve limited fish stocks.

NETMIND sales increased from the same period last year and rebounded from the low level of sales towards the end of 2005. This was primarily due to an increased marketing effort in Spain and the northeastern United States as well as to the introduction of the net symmetry system.

### **b - The AQUACOMM Project**

The AQUACOMM project is a \$2.5Million in house research and development program for the development of new, leading edge multiple application sonar technologies and products for a variety of industries. These include defense, offshore oil and gas, commercial fishing, oceanography, marine environment and marine transportation. To date, the Company has expended \$2,981,895 pursuant to this program and has recovered \$1,873,392. Among the new developments from the AQUACOMM project are a general purpose acoustic receiver, spread spectrum acoustic communications and improved sensors.

The net symmetry system is the first commercial sonar product from the Aquacomm project. It was introduced to the fishing market during this first quarter with initial sales coming from Spain. In addition, results of the AQUACOMM work has positioned the Company to extend its NETMIND role on board vessels beyond its current Subsea monitoring function and allows the addition of features and capabilities to the system that would extend the NETMIND use to a vessel management role. This would include applying AQUACOMM sensing and systems design to network with and access data from other on board subsystems for analysis and display, taking advantage of the existing NETMIND bridge mounted system and adding new functionality.

### **c - Defense Sonar System**

The Company is a subcontractor on Lockheed Martin's anti terrorism Swimmer Detection System (SDS). The SDS is a new technology that should provide anti terrorism protection to moored ships and harbor side assets. The SDS is a wide band high frequency sonar system designed specifically to detect and classify underwater terrorist threats. The SDS provides moored vessels and harbor side assets with 360 degree omni directional coverage and has

been proven to reliably detect, classify and track underwater intruders at the longest possible ranges in the most demanding environments. Lockheed Martin's SDS is currently under evaluation for protection of surface ships. Additionally, Lockheed Martin is marketing these units around the world for protection of naval fleets and harbors. Northstar has assisted in the design and manufactures the sonar hardware for SDS units for naval trials with two of these units having been purchased. The final trials are slated to start in mid 2006. Lockheed Martin, with contract pricing from Northstar, has also responded to Requests For Quotes (RFQ) for these units from various countries and is hopeful of sales in this area in 2006.

The Company continued work during the quarter to assist Lockheed Martin in developing enhancements to the SDS technology.

### **Defense Contract Manufacturing**

During the third quarter of 2005 the Company was awarded a \$1.2M command and control console contract by Lockheed Martin Naval Electronics and Surveillance Systems, Manassas, Virginia to perform a technology update and test command and control consoles for the Canadian Navy's Victoria Class submarine's command display. This contract is covered under a Manufacturing License Agreement between Lockheed Martin and our company. Work under this contract continued through the first quarter of 2006 and we expect to complete it during the summer of 2006. We also expect additional submarine console manufacturing contracts in 2006.

In 2005 the Company's subsidiary, Northstar Network Ltd., signed an agreement with Cathexis Innovations Inc. to manufacture Cathexis's proprietary Radio Frequency Identification (RFID) reader, ID Blue. This device is a pen-sized scanner that reads and writes information stored on RFID tags and wirelessly transfers it to a desktop computer, laptop, PDA or Pocket PC via Bluetooth. Production orders continue to be placed by Cathexis and are expected to show an increase in 2006.

Subsequent to the quarter end, the Company submitted a competitive bid in response to a Request For Quote for the manufacture of a major Homeland Security company's anti-bioterrorism system. The first purchase order is expected to be awarded in mid 2006.

The Company also recently submitted quotes on the following Canadian and US Programs:  
Canadian P3 (CP140) – Metal fabrication and integration for the outer wing box  
Commercial Aircraft - Circuit Card assemblies for airplane cockpit displays  
Commercial Aircraft – Receptacle shells  
Advanced Lightweight Anti-Armor Weapons Systems (ALAWS) – Circuit cards & metal fabrication work  
Joint Strike Fighter – Solenoid Assembly

These contracts are expected to be awarded during 2006.

### **Systems Integration**

The Company is developing its approach to securing and executing large defense contracts by bringing together affiliate companies. The overall capability, which is substantial, is

presented to the prime contractors.

The aforementioned defense sonar system is an example of how Systems Integration will work for us. In this project, we had four subcontractors who carried out various tasks, with Northstar bringing all the component parts together for final assembly, testing, quality control and delivery to the customer.

### **Results of Operations**

Comparison of the three months ended March 31, 2006 with the three months ended March 31, 2005.

Revenue for the three month period ended March 31, 2006 was \$636,943 compared to \$293,387 of revenue recorded during the same period of the prior year. Gross profits increased from \$219,958 (75%) in the prior period to \$353,234 (55%) in the current period. The increase was due to the fact that the Company has substantial contract work in the current year and had little contract work in the prior period. The Company continues to negotiate for subsequent material contracts with Lockheed Martin and others.

The net loss for the three month period ended March 31, 2006 was \$(126,415) compared to a net loss of \$(214,331) for the three months ended March 31, 2005. Over this past quarter, the Company has invested considerable resources in seeking out additional and future contract manufacturing opportunities and is confident that the efforts will return positive results to the Company over the remainder of 2006.

The Company continues to expect to further expand its sonar capabilities into military and anti terrorist applications as well as the offshore petroleum industry. We are actively pursuing military contracts in these areas.

During the quarter the Company continued expenditures on the marketing and advertising of its NETMIND system and expanded awareness of the NETMIND system through trade shows and a growing distribution network including Ireland, Spain and the Scandinavian countries. The system upgrades are being well received by our fishing industry customers and by government researchers. The upgrades resulted in research and development expenditures of \$24,949 for the quarter, a decrease over \$51,703 expended in the comparative prior quarter ended March 31, 2005. The decrease related to the Aquacom project coming to an end. The Company is actively seeking an equity investment.

The Company continued on its research and development program towards extending its underwater wireless communication technology into additional applications and expended further effort in developing proposals for financing of a major product development program. This accounts for an increase in salaries to \$271,768 for the three months ended March 31, 2006 compared to salaries of \$206,197 for the comparative prior quarter ended March 31, 2005.

During the quarter the Company initiated cost reduction measures in an effort to conserve and improve the Company's working capital deficit position.

### **Comparison of Financial Position at March 31, 2006 with December 31, 2005**

The Company's working capital deficiency decreased at March 31, 2006 to

\$694,974 with current liabilities of \$1,464,847 which are in excess of current assets of \$769,873. At December 31, 2005 the Company had a working capital deficiency of \$701,382.

### **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 financial statements at December 31, 2005. 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 which 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**

The Company has increased its shareholder's deficit as a result of its efforts to increase its business activity and customer base. Cash outflow for the first quarter ended March 31, 2006 was \$13,934 compared to an increase in cash of \$3,803 in the comparative prior quarter March 31, 2005. In the prior comparative quarter the Company received \$20,487 (\$nil in the current quarter) from equity funding and received \$90,715 (\$81,398 in the current quarter) from the proceeds of long term debt leaving cash on hand at March 31, 2006 of \$32,971 compared to cash on hand of \$46,905 at December 31, 2005 and \$61,444 at March 31, 2005. Until the Company receives its next contract and/or increases its product sales revenue, it will be dependent upon equity and loan financings to compensate for the outflow of cash anticipated from operations.

The Company is preparing a private placement offering pursuant to Regulations D and S with the expectation of raising up to \$500,000. Any funds so raised are targeted for product development, marketing and general working capital. At this time, no commitment for funding has been made to the Company.

### **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-QSB, 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.

(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. Changes in Securities.

Options Granted Date Exercise Price Expiry Date

Nil

Warrants Issued

During the three month period ended March 31, 2006 the Company issued nil warrants.

Common Stock Issued	Date	Consideration
85,000	January, 2006	services valued at \$14,450
49,271	January, 2006	services valued at \$9,450
60,000	February, 2006	services valued at \$15,000

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 and Reports on form 8-K.

No change since previous filing.

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.

May 4, 2006 Northstar Electronics, Inc.

(Registrant)



By: /s/ Wilson Russell

Wilson Russell, PhD, President  
and Principal Financial Officer

Exhibit 32.1 CERTIFICATION PURSUANT TO 18 U.S.C. ss.1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

Solely for the purposes of complying with, and the extent required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies, in his capacity as the Chief Executive Officer and Chief Financial Officer of Northstar Electronics, Inc., that, to his knowledge, the quarterly report of the company on Form 10-QSB for the period ended March 31, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the report fairly presents, in all material respects, the company's financial condition and results of operations.

May 4, 2006

/s/ Wilson Russell

Wilson Russell, Chief Executive  
Officer and Chief Financial Officer

Exhibit 31.1 CERTIFICATION PURSUANT TO 18 U.S.C. ss.1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Wilson Russell, Chief Executive Officer of Northstar Electronics, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB for the period ended March 31, 2006 of Northstar Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made

known to me by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2006

/s/ Wilson Russell

Wilson Russell, Chief Executive Officer  
and Chief Financial Officer