NORTHSTAR ELECTRONICS INC
Form 10QSB
August 14, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 For the quarterly period ended **June 30, 2006**

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT 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 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 [X] 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 [X]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 [X]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 [X]**

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 31, 2006: 19,445,319

Transitional Small Business Disclosure Format (check one):
Yes [] **No [X]**

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Financial Statements
Six Months Ended June 30, 2006

U.S. Dollars - Unaudited - Prepared by management

PART II - OTHER INFORMATION

NORTHSTAR ELECTRONICS, INC.
Consolidated Balance Sheets
U.S. Dollars

	June 30 2006	December 31 2005
ASSETS	**Unaudited**	
Current		
Cash	$11,762	$46,905
Receivables	158,731	819,419
Inventory and work in progress	429,209	440,707
Prepaid expenses	18,352	24,864
Total Current Assets	618,054	1,331,895
Intangible assets	29,117	37,285
Property and Equipment	104,362	78,193
Total Assets	$751,533	$1,447,373
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$1,006,737	$1,372,745
Loans payable	51,046	50,000
Deferred revenue	376,434	461,544
Current portion of long term debt	155,208	148,988
Total Current Liabilities	1,589,425	2,033,277
Long Term Debt	726,402	706,962
Due to Cabot Management Limited	93,624	89,873
Due to Director	147,348	120,055
Total Liabilities	2,556,799	2,950,167
STOCKHOLDERS' EQUITY		
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		
17,445,319 shares of common stock (17,060,715 December 31, 2005)	1,744	1,706
Additional Paid in Capital	3,902,961	3,829,439
Other Comprehensive Income (loss)	(215,274)	(178,992)
Accumulated deficit	(5,494,697)	(5,154,947
Total Stockholders' Equity (Deficit)	(1,805,266)	(1,502,794)
Total Liabilities and Stockholders' Equity	$751,533	$1,447,373

The accompanying notes are an integral part of the financial statements

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

	Three Months		Six Months	
	2006	2005	2006	2005
Sales	$231,190	$153,497	$685,867	$338,124
Discounts	20,666	58,161	60,231	67,698
Sales net of discounts	$210,524	$95,336	$625,636	$270,426
Cost of goods sold	81,550	26,211	325,694	90,103
Gross margin	128,974	69,125	299,942	180,323
Recovery of research and development	114,962	209,182	300,391	317,942
Other income	-	878	-	4,400
	243,936	279,185	600,333	502,665
Expenses				
Salaries	241,560	283,456	513,328	489,653
Financial consulting	20,610	10,089	51,060	34,286
Professional fees	51,186	11,686	69,736	59,075
Rent	33,718	29,176	64,814	58,613
Research and development	19,603	39,376	44,552	91,079
Investor relations	10,500	56,548	11,625	65,204
Office and administration	23,145	23,143	50,484	41,971
Travel and business development	30,220	33,718	82,048	60,762
Interest on debt	5,308	10,200	10,679	17,090
Telephone and utilities	14,068	12,651	26,695	22,160
Amortization	7,353	7,617	14,279	15,270
Transfer agent fees	-	268	783	576
Total expenses	457,271	517,928	940,083	955,739
Net loss for period	$(213,335)	$(238,743)	$(339,750)	$(453,074)
Net loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average number of shares				
outstanding	17,402,390	16,101,233	17,310,225	16,056,466

The accompanying notes are an integral part of the financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
Six Months Ended June 30, 2006
Unaudited
U.S. Dollars

	Shares	Amount	Additional Paid in Capital	Other Compre-hensive Income (Loss)	Accumu-lated Deficit	Total Stockholder Equity (Deficit)
Balance December 31, 2005	17,060,715	$1,706	$3,829,439	$(178,992)	$(5,154,947)	$(1,502,794)
Net loss for six months	-	-	-	-	(339,750)	(339,750)
Currency translation adjustment	-	-	-	(36,282)	-	(36,282)
Issuance of common stock:						
- for services	344,604	34	65,257	-	-	65,291
- for cash	40,000	4	10,296	-	-	10,300
Share issuance costs	-	-	(2,031)	-	-	(2,031)
Balance June 30, 2006	17,445,319	$1,744	$3,902,961	$(215,274)	$(5,494,697)	$(1,805,266)

The accompanying notes are an integral part of the financial statements

NORTHSTAR ELECTRONICS, INC.
Consolidated Statement of Cash Flows
Six Months Ended June 30
Unaudited
U.S. Dollars

	2006	2005
Operating Activities		
Net income (loss)	$(339,750)	$(453,074)
Adjustments to reconcile net (loss) to net cash used by operating activities		
Amortization	14,279	15,270
Issuance of common stock for services	65,291	91,786
Changes in operating assets and liabilities	211,393	139,777
Net cash provided by (used by) operating activities	(48,787)	(206,241)
Investing Activity		
Recovery of (addition to) property and equipment	(27,510)	17,528
Financing Activities		
Issuance of common stock - net proceeds	10,300	33,441
Increase (repayment)- long term debt	(10,073)	48,812
Due to Cabot Management Limited	-	(1,462)
Advances from director	23,574	106,528
Net cash (used) provided by financing activities	23,801	187,319
Effect of foreign currency translation on cash	17,353	(19,642)
Inflow (outflow) of cash	(35,143)	(21,036)
Cash, beginning of period	46,905	57,641
Cash, end of period	$11,762	$36,605
Supplemental information		
Interest paid	$10,679	$17,090
Shares issued for services	$65,291	$91,786
Corporate income taxes paid	$ 0	$ 0

The accompanying notes are an integral part of the financial statements

NORTHSTAR ELECTRONICS, INC.
Notes to Consolidated Financial Statements
Six Months Ended June 30, 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 merger with NTI described as follows: On January 26, 2000 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 June 30, 2006 and the consolidated results of operations and the consolidated cash flows for the three and six months then ended. For the six months ended June 30, 2006, 58% of the Company's sales revenues were generated from one contract (at June 30, 2005, 7% 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 and six months ended June 30, 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 six months to June 30, 2006 the Company incurred a net loss of $339,750 (year to December 31, 2005: $984,768) and at June 30, 2006 had a working capital deficiency (an excess of current liabilities over current assets) of $971,371 (December 31, 2005: $701,382), including $155,208 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 aircraft carrier or port anti terrorism system, a contract for which is now anticipated to be awarded in late 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 product 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. Subsequent to June 30, 2006 the Company received $200,000 for the issuance of 2,000,000 shares of common stock.

LONG TERM DEBT

Balance due Atlantic Canada Opportunities Agency ("ACOA") December 31, 2005	$855,950
Increase in ACOA funding during the period	25,660
Balance due ACOA June 30, 2006	881,610
Less current portion	155,208
	$726,402

COMMON STOCK

During the six months ended June 30, 2006, the following shares of common stock were issued:
For services: 344,604 shares fairly valued at $65,291 at the market value of those services
For cash: 40,000 shares for $10,300

STOCK OPTIONS

As at June 30, 2006, the outstanding stock options granted to directors, employees and others totaled 2,819,000 shares with a weighted average exercise price of $0.52 per share and expiry dates ranging from September 17, 2006 to March 1, 2015.

WARRANTS

As at June 30, 2006, the outstanding warrants totaled 2,606,910 with a weighted average exercise price of $0.59 with various expiry dates up to August 2010.

REVENUE

		Six months 2006	Six months 2005
Revenue consists of:	NETMIND sales	$276,655	$313,648
	Contract sales	364,682	24,476
	Government assistance	300,391	317,942
	Miscellaneous	44,530	4,400
		$986,258	$660,466

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 Aquacomm 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 June 30, 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 and six month periods ended June 30, 2006 and 2005 prepared by management and the audited consolidated financial statements for the twelve months ended December 31, 2005 as presented in the Form 10KSB filed on EDGAR.

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.

The Company has tendered proposals and price quotations on an additional submarine control console manufacturing contract and a naval ships and ports anti terrorism system manufacturing contracts, now expected to be awarded in 2006.

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:

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 an 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 the first quarter of 2006 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 sub sea 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 second quarter of 2006 and we expect to complete it during the summer of 2006. We also expect an additional submarine console manufacturing contract 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.

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 and 2007.

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 and six months ended June 30, 2006 with the three and six months ended June 30, 2005:

Gross revenues from sales, miscellaneous and research and development recovery for the three month period ended June 30, 2006 were $346,152 compared to $363,557 in the comparative prior period. Gross revenues from sales, miscellaneous and research and development recovery for the six month period ended June 30, 2006 were $986,258 compared to $660,466 in the comparative prior period.

Sales revenue for the three month period ended June 30, 2006 was $231,190 compared to $153,497 of sales revenue recorded during the same period of the prior year. This comparative increase is the result of the Lockheed Martin contract. Sales revenue for the six month period ended June

30, 2006 was $685,867 comparable to $338,124 in the prior period. Gross margins increased from $180,323 (67%) in the prior period to $299,942 (48%) in the current period. The fluctuation in the margin percentage is a result of the higher volume of contract sales during the period which generate lower margins than NETMIND sales.

The net loss for the three month period ended June 30, 2006 was $(213,335) compared to a net loss of $(238,743) for the three months ended June 30, 2005. Over this past quarter, the Company continued to invest 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 ensuing months and years.

Travel and business development costs increased to $82,048 for the six months from $60,762 for the comparative prior period ended June 30, 2005 as the Company attempts to increase its customer base and sales orders for NETMIND.

The Company is actively pursuing contracts for its sonar capabilities in military and anti terrorist applications as well the Company has bid on several contract manufacturing military contracts and has received a contract from Lockheed Martin for the production of submarine command and control consoles, as previously mentioned.

During the quarter the Company increased 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 Scotland. The system upgrades are being well received by our fishing industry customers and by government researchers. The Company previously received government support of $400,000 as part of a $540,000 international marketing program for the NETMIND system.

The Company continued on its research and development program at a reduced pace towards extending its underwater wireless communication technology into new products. Salaries increased to $513,328 for the six months ended June 30, 2006 compared to salaries of $489,653 for the comparative prior six months ended June 30, 2005 as the Company completed its commitments under the AQUACOMM program. Cost recovery of $300,391 remained comparable with $317,942 recovered in the comparative prior period.

Comparison of Financial Position at June 30, 2006 with December 31, 2005

The Company’s working capital deficiency at June 30, 2006 increased to $971,371 with current liabilities of $1,589,425 in excess of current assets of $618,054. 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 outflows used in the six months ended June 30, 2006 was $(35,143) compared to an outflow of cash of $(21,036) for the six months ended June 30, 2005. The Company received $23,801 during the six months to June 30, 2006 ($187,319 in the prior comparative period) from financing activities and used cash of $48,787 in its operations during the six months ended June 30, 2006 (used $206,241 in the prior comparative six month period). As a result, operations have used cash during the period, leaving cash on hand at June 30, 2006 of $11,762 compared to cash on hand of $46,905 at December 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 has a private placement offering pursuant to Regulations D and S with the expectation of raising capital. Any funds so raised are targeted for product development, marketing and general working capital. The Company has raised over $200,000 subsequent to June 30, 2006.

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			
Nil			

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
105,388	April, 2006	services valued at $18,750

44,945	May, 2006	services valued at $7,641
40,000	May, 2006	cash

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.

August 14, 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 June 30, 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.

August 14, 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 June 30, 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.

August 14, 2006

/s/ Wilson Russell
Wilson Russell, Chief Executive Officer and Chief Financial Officer