FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2024

(Expressed in United States Dollars)

General

This Management's Discussion and Analysis ("**MD&A**") of ProStar Holdings Inc. ("ProStar," or the "**Company**") is the responsibility of management and covers the three-month period ended March 31, 2024. The MD&A takes into account information up to and including May 30, 2024.

The following information should be read in conjunction with the Company's condensed consolidated interim financial statements for the three-month period ended March 31, 2024 and with the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2023 and 2022, which were prepared in accordance with IFRS Accounting Standards.

All dollar figures are expressed in United States dollars unless otherwise stated. These documents and additional information on the Company are available on the SEDAR+ website at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate" and "believe", are intended to identify forward-looking statements. Such statements reflect the Company's "forecast", "estimate", "expectation" and similar expressions as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions.

The forward-looking statements contained in this MD&A are made as of the date hereof and represent the Company's views as of the date of this document. While the Company believes that the expectations reflected in the forward-looking statements and information contained herein are reasonable, no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct. The Company acknowledges that subsequent events and developments may cause the views expressed herein to change, however, the Company has no intention and undertakes no obligation to update, revise or correct such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. Therefore, there can be no assurance that forward-looking statements contained herein will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Description of Business

ProStar was incorporated under the Business Corporations Act (British Columbia) on February 13, 2007. On December 29, 2020 the Company completed a Reverse Take-Over ("RTO") whereby the Company was the target and acquired all the issued and outstanding securities of ProStar GeoCorp Inc ("ProStar GeoCorp"), changed its name to ProStar Holdings Inc, and completed a change of business.

The principal business of the Company is a developer of Software-as-a-Service ("**SaaS**")-based solutions, providing patented Geospatial Intelligence Software designed to enhance the management and maintenance of the asset lifecycle for asset centric industries. The Company is listed on the Toronto Stock Exchange Venture ("TSXV"), as a Tier 2 technology issuer on the TSXV and trades under the symbol MAPS. The Company also trades on the OTCQX, a US trading platform under the ticker symbol MAPPF.

The Company maintains its registered office at 1000-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and keeps its records at 1507-1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

ProStar specializes in the development of precision mapping solutions and software designed to precisely capture, record, and provide visualization of utility and pipelines that are placed below the Earth's surface. ProStar's precision mapping solutions provide geospatial intelligence, location precision, and transparency. ProStar's cloud and mobile solutions are Transparent Earth and its native mobile application PointMan® both of which are deployed as SaaS. Transparent Earth is designed to improve the construction, maintenance and repair of underground infrastructure and to better protect the worker, the public and the environment. This unique and patented system integrates open standards, advents in GPS technology, cloud computing and mobile technology to provide a real time view of location data with precision. The result is that all phases of the asset management lifecycle from initial planning & engineering, through the construction and maintenance are enhanced. This conflated geospatial data view provides field workers with the information that they need during construction and maintenance activities, to avoid damage to assets as well as personal injury and pollution.

ProStar has several high-profile clients that include the Colorado Department of Transportation, Kiewit Corporation (a Fortune 500 contractor based in Omaha, Nebraska), and some of the largest subsurface utility engineering organizations in North America that include Kokosing, Waterworks, Utility Mapping, Landmark Engineering, T2 Engineering & Surveying, WSB Engineering & Surveying and KCI Engineering & Surveying.

The Opportunity and the Market

North America is laced with a network of tens of millions of miles of buried infrastructure that are in danger of being damaged every time a ground-breaking activity occurs. Every year in the US alone, over 30 million excavations are performed. On average there is a subsurface utility damage event every sixty seconds of every workday. When these events occur, lights go out, traffic is disrupted, pollution is released into the atmosphere, hundreds of millions of dollars of repairs are required and unfortunately, injuries may occur.

The problem is that many of the underground corridors that hold the buried infrastructure are overcrowded and with more and more demands on the infrastructure to support an ever-growing population these underground corridors are becoming increasingly congested. Combine aging utilities, lack of accurate location data, fragmented processes, and increasing demands to expand the congested corridors in which they lie and you have a potential disaster on your hands every time any form of maintenance, repair or construction is performed. A vast amount of this infrastructure is over 50 years old, much is aging beyond repair and some are just abandoned. At the heart of the issue, is the fact that in many cases, the exact locations of below ground infrastructure is not known with any real certainty. If the location information was recorded - the information is usually in a GIS (Geographic Information System) designed for storing, analyzing and reporting location data. GIS usage has been constrained to a select group of users by factors that include excessive cost, user complexity and lack of accessibility. The technology itself has also been prohibitive in providing location intelligence into enterprise business applications due to the existing client-server GIS systems offered by the major GIS solution providers. Recent catastrophic incidents affecting workers, the public and the environment confirm the need to use a more modern geospatial solution to improve current damage prevention and asset management practices.

ProStar has identified demand for a precision mapping solution that provides immediate and measurable benefits to the utility and pipeline sectors as well as the associated verticals. In order to successfully address the anticipated and growing demand, a model that addresses the current issues of the traditional systems including that of cost, complexity and accessibility is needed. The answers lay within the SaaS model and leveraging cloud and mobile technologies. As with online retail and banking, it is only natural that these same technologies be adopted as the dominant delivery methods for a precision mapping solution. The demand for open cloud and mobile computing is the factor that has created an enormous opportunity for ProStar and its natively cloud and mobile precision mapping solution offered as a SaaS. By using ProStar's precision mapping solutions, government agencies and private businesses will be able to improve the efficiency of their organizations without the financial and technical burdens of creating and maintaining internal systems. Ultimately, all processes will improve, and the serious damage caused to the infrastructure, the environment and to the public during construction will be significantly reduced.

ProStar's SaaS platform is commercially available and its flagship solution, PointMan®, is generating sales revenue. We expect to establish partnerships with the vast majority of OEM suppliers including electromagnetic wand manufacturers and ground penetrating radar companies. PointMan's robust data management system is ideally suited to be the engine of virtually all mapping companies that use AI and other tools that indicate a statistical probability of where a utility might be, but has no mechanism to actually show where the utility is.

Our goal is to be the system of record for accurate utility location metadata and be the preferred solution for Department of Transportations, and any entity that has an interest in accurate location data of subsurface utilities; this would include engineering firms, large construction companies, locating companies that include both human line measurement and hydrovac truck fleets.

ProStar's Solution

ProStar designed and developed an open geospatial solution to address these issues and reduce the risk of damage to these buried assets due to the lack of timely and precise information being available during maintenance and construction activities. Using unique and patented processes, ProStar's solution provides a unique view of subsurface infrastructure relative to the user's location resulting in real-time situational awareness and to a precision, which, until now, was unachievable. ProStar's solution leverages open data standards combined with cloud and mobile technologies, to deliver critical information into the hands of project personnel where and when it is most needed, whether that is in the field or at head office. When relevant geospatial information is delivered to the field in a timely manner, the risk of damage to buried assets often caused by construction and maintenance activities is significantly reduced.

The use of ProStar's solution significantly reduces the risks associated with damage currently plaguing the utility and pipeline industries and streamlines business processes throughout the enterprise and asset lifecycle. ProStar offers immediate cost savings, improves worker and public safety, and minimizes environmental risk all the while bringing added value, consistency, and time savings to the asset management and damage prevention processes. This challenge is not limited to the US market and in fact, the concerns in other parts of the world are far greater.

The real issue facing the industry is directly related to the quality of the data that is being provided and limitations on getting meaningful information into the hands of the field workers in a timely manner. These limitations arise from current GIS systems, imprecise data collection practices, disparate data standards, fragmented data management processes, and poor data distribution methods, all of which hinder attempts to prevent damage to subsurface utilities during construction activities.

Operating Activities and Plans

ProStar's flagship product is PointMan®, which works globally on Android and iOS platforms. ProStar plans to continue to invest significantly in market awareness with a focus on sales growth.

Going Concern

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in the condensed consolidated interim financial statements. The Company's condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at March 31, 2024, the Company had not achieved profitable operations, had accumulated a deficit of $40,707,486 since inception and expects to incur further operating losses in the development of its business on the path to breakeven. The Company's ability to continue as a going concern is dependent upon the ability to develop its business units, operate profitably through the sale of its software solution, potentially find, acquire, and develop various other business segments with growth potential, its ability to obtain the necessary financing to carry out this strategy, and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These matters indicate material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Recent Events & Overall Performance

During the three-month period and subsequent to March 31, 2024 the Company:

a) Announced on January 8, 2024, that the Company has integrated its flagship product, PointMan, into Rycom Instruments' cable and pipe locating devices. As a result of this integration, Rycom Instrument's Pathfinder devices now have the ability to capture, record and share the precise location of buried utilities and pipelines anywhere in the world with PointMan.

b) Announced on January 11, 2024, that the Company has launched its new e-store after a soft trial through December. The new e-store is designed to revolutionize the purchasing experience for Prostar's precision mapping solutions among both customers and distributors. Initial feedback and interest highlighted by unsolicited customer transactions have been promising. The new e-commerce platform simplifies the acquisition of Prostar's precision mapping solutions through automated processes.

c) Announced on February 26, 2024, that the Company has arranged a technology integration with Topcon Corp. The integration combines Prostar's utility mapping software, PointMan, and Topcon's fixed and portable GNSS antennas. The technology integration provides Topcon users with a seamless and easy-to-use utility data collection solution to capture, record and display the precise location of critical underground infrastructure anywhere in the world.

d) Announced on March 27, 2024, that the Company has closed the first tranche of its previously announced CAD$2.5-million non-brokered private placement for gross proceeds of CAD$1,399,159 (approximately US$1.05-million), through the sale of 8,744,746 units at a price of $0.12 (CAD$0.16) per unit.

   Each unit consists of one common share of the company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share of the company at a price of $0.17 (CAD$0.22) per warrant share for a period of 36 months from the date of issuance thereof, provided that if the closing price of the common shares on any Canadian stock exchange on which the common shares are then listed is at a price equal to or greater than $0.25 (CAD$0.30) for a period of 10 consecutive trading days, the company will have the right to accelerate the expiry date of the warrants by issuing a press release or other form of notice permitted by the certificate representing the warrants, announcing that the warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than 30 days from the date notice is given.

e) Announced on April 23, 2024, that Stake Center Locating, one of the nation's largest utility locating firms, has signed a deal to trial Prostar Holdings Inc.'s flagship product, PointMan Precision Mapping Solution. Stake Center Locating is a premium utility locating company with extensive resources and decades of experience; they are also the market leader in high-risk infrastructure and fiber optic network locating. Operating in 48 states, with over 1,200 employees that provide over 850,000 locates per month, Stake Center Locating prioritizes safety, accuracy, and quality above all.

f) Provided on May 14, 2024, a corporate update, noting milestones achieved during the year to date, product enhancements and the near-term objectives.

Summary of Quarterly Results

	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**
Working capital (deficiency)	$ (406,780)	$ (621,104)	$ 592,341	$ (568,112)
Total revenue	236,469	137,701	225,332	234,439
Share-based payments	44,142	10,396	180,644	143,280
Net loss	(866,521)	(1,138,931)	(1,645,803)	(1,534,983)
Comprehensive loss	(831,859)	(1,133,878)	(1,680,005)	(1,533,361)
Net loss per share – basic	(0.01)	(0.01)	(0.01)	(0.01)
	March 31, 2023	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**
Working capital (deficiency)	$ 821,355	$ 1,959,612	$ 2,933,548	$ 4,136,870
Total revenue	230,805	148,193	251,085	169,307
Share-based payments	83,129	201,957	351,848	26,858
Net loss	(1,112,393)	(1,261,503)	(1,368,008)	(1,187,291)
Comprehensive loss	(1,126,575)	(1,230,211)	(1,582,103)	(1,318,805)
Net loss per share - basic	(0.01)	(0.01)	(0.01)	(0.01)

Discussion of Operations

The condensed consolidated interim financial statements reflect the financial condition of the Company's business for the three-month period ended March 31, 2024. Please see the performance summary section above for a summary of significant events during the period.

Revenue

	March 31, 2024	March 31, 2023	Increase (Decrease)	% Change
Sales – 3 months	$236,469	$230,805	$5,664	2%
Deferred revenue	$364,466	$214,925	$149,541	70%

For the three months ended March 31, 2024, the Company generated $236,469 (2% increase) in SaaS sales (2023 - $230,805). Period over period the deferred revenue balance increased to $364,466 (+70%) from $214,925 at March 31, 2023. Annual recurring revenue ("ARR") has increased from approximately $783,000 at December 31, 2023 to approximately $850,000 at March 31, 2024, an increase of $67,000 (8.5%).

New SaaS customer contracts have continued to increase over the last four quarters, with 26 new customers contracts commencing during 2023 and 22 commencing in Q1 2024. This growth illustrates the success of the new strategic approach to sales. One customer of note is Stake Centre Locating, which is the second-largest utility locating company in the U.S. Stake Center Locating is a utility locating company with extensive resources and decades of experience; they are also the market leader in high-risk infrastructure and fiber optic network locating. Operating in 48 states, with over 1,200 employees that provide over 850,000 locates per month.

Cost of sales

Cost of sales ("COS") decreased to $13,261 (2023 - $35,099), despite an increase in sales, customers and projects during the quarter and over the past 12 months. We were able to achieve substantial COS savings as a direct result of transitioning from individual environments to a shared multi-tenant environment. Specifically, at 50 customers, COS is reduced by nearly 46.6%. This efficiency gain escalates with customer scale, culminating in an estimated 67.2% reduction in COS at the 2000 customer. The shared environment achieves these costs savings through decreasing costs for GeoServer and Search functionality.

Operating Expenses and Other Items

Operating expenses and other items with significant variances and balances include:

Sales and Marketing

Sales and Marketing was $295,958 (2023 - $196,948) during the three-month period ended March 31, 2024. The Company continues to focus on sales growth and raising awareness of the Company's SaaS solutions.

Product development

Product development for the period ended March 31, 2024, was $285,601 (2023 – $262,767). While the Company continues to add features and advance all its SaaS solutions, the focus has moved from development to sales growth, resulting in a decrease in product development work. Product development increased year over year with the addition of Louis Suchy, CTO, who is included in product development.

Management fees

Management fees for the period ended March 31, 2024 were $54,699 (2023 – $152,500). Management fees decreased due to the resignation of the COO during 2023. The other management fees include payments to the Company's CEO, who also took a pay cut during the quarter.

Professional fees

Professional fees for the period ended March 31, 2024 were $76,459 (2023 – $247,053). During 2024, professional fees decreased as the Company completed patent related litigation in 2023. Other professional fees included general corporate activities such as audit and accounting fees and general legal fees.

Share-based payments

Share-based payments for the period ended March 31, 2024 were $44,142 (2023 – $83,129). The Company granted 275,000 stock options during the three-month period ended March 31, 2024 (2023 – 730,000). The expense recognized in the statement of loss and comprehensive loss is determined by the valuation assumptions at the time of grant and the vesting schedule of stock options granted, less any amounts derecognized from unvested cancelled stock options.

Travel

Travel expenses for the period ended March 31, 2024 was $23,791 (2023 – $69,126). Travel decreased due to less travel activity during Q1 2024 versus Q1 2023.

Liquidity and Capital Resources

During the three-month period ended March 31, 2024, the Company's operating activities had cash outflows of $653,523.

The Company's cash as at March 31, 2024 was $390,314 and working capital deficiency was $406,780.

Investing Activities

During the three-month period ended March 31, 2024, the Company did not have any investing activities.

Financing Activities

During the three-month period ended March 31, 2024, the Company had net cash inflows of $941,446. This included inflows from a private placement of $1,037,475. This was offset by $64,529 in share issuance costs and repayment of a lease liability of $31,500.

Capital Resources

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the Company's assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

Capital Structure

Common Shares:

As at the date of this MD&A, the Company has 137,862,670 common shares issued outstanding.

Stock options:

The following stock options were outstanding as at the date of this report:

Exercise Price	Outstanding	Expiry
CAD$0.40	4,900,000	December 29, 2025
CAD$0.25	1,297,500	December 29, 2025
CAD$0.25	125,000	January 25, 2026
CAD$0.25	125,000	January 29, 2026
CAD$0.25	125,000	February 26, 2026
CAD$0.25	110,000	April 13, 2026
CAD$0.25	50,000	May 26, 2026
CAD$0.25	125,000	July 8, 2026
CAD$0.25	250,000	August 9, 2026
CAD$0.25	550,000	December 10, 2026
CAD$0.40	275,000	April 22, 2027
CAD$0.25	1,179,000	September 9, 2027
CAD$0.20	705,000	January 20, 2028
CAD$0.20	300,000	April 26, 2028
CAD$0.30	500,000	June 29, 2028
CAD$0.30	685,000	August 10, 2028
CAD$0.36	1,000,000	September 21, 2028
CAD$0.20	275,000	March 7, 2029
	12,576,500	

Warrants:

The following warrants were outstanding as at the date of this report:

Exercise Price	Number	Expiry
Warrants:		
CAD$0.45	5,916,667	July 21, 2025
CAD$0.16	8,744,746	March 27, 2027
	14,661,413	

Financial Instruments and Risk Management

Fair value of financial instruments

The Company measures the fair value of its financial instruments according to a fair value hierarchy based on the significance of observable inputs used to value the instrument as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

As at March 31, 2024, the Company does not carry any financial instruments at fair value and believes that the carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values because of their nature and/or relatively short maturity dates or durations.

Classification of financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and lease liabilities. The Company classifies its cash and receivables, as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities

Financial and capital risk management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Discussions of risks associated with financial assets and liabilities are detailed below:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at March 31, 2024, the Company was not subject to significant market risk.

Foreign currency risk

The international nature of the Company's operations results in foreign exchange risk. Fluctuations in the exchange rate between the Canadian dollar and US dollar may have an adverse effect on the Company's business and costs to proceed with preferred vendors. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. As at March 31, 2024, the Company was not subject to material interest rate risk.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and its accounts receivable. The Company holds cash at a major US chartered bank in a chequing account.

The Company is exposed to credit risk on its trade accounts receivable. Trade receivables totaled $58,000 as at March 31, 2024.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of preferred shares, debt, or equity. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows and matching the maturity profile of financial assets to development, capital and operating needs.

Contractual cash flow requirements as at March 31, 2024 were as follows:

	< 1 year $	**1 – 2 years $**	**3 – 5 years $**	**Total $**
Accounts payable and accrued liabilities	469,985	-	-	469,985
Lease liabilities	94,500	-	-	94,500
Total	564,485	-	-	564,485

Related Party Transactions

During the period ended March 31, 2024, the Company paid or accrued, to key management personnel, directors, and their related companies:

	2024	2023
Chief Executive Officer – Page Tucker	$ 56,250	$ 75,000
Former Chief Operating Officer – Vasa Dasan	-	77,500
Chief Technology Officer – Louis Suchy	54,676	-
Chief Financial Officer – Jonathan Richards	30,000	30,000
Consulting fees – Skyline Growth Partners (Patrick Clawson)	22,500	-
Total	$ 163,426	$ 182,500

Included in accounts payable is $50,950 (2022 - $27,821) due to a Company controlled by an officer of the Company.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures.

Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. The Company's significant accounting judgements, estimates and assumptions are disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2023.

Material Accounting Policies

The Company's material accounting policies are presented in Note 3 of the audited consolidated financial statements for the year ended December 31, 2023, and have been consistently applied in the preparation of the consolidated financial statements.

Proposed Transactions

Except as described elsewhere herein or in the Company's condensed consolidated interim financial statements as at March 31, 2024, the Company had no material proposed transactions.

Contractual Obligations

Except as described herein or in the Company's condensed consolidated interim financial statements as at March 31, 2024, the Company had no material contractual obligations.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

<u>Risks Related to the Company's Business</u>

<u>Loss of Proprietary Information</u>

ProStar's currently holds patents on the technology used in its operations and products and it also relies heavily on trade secrets, know-how, expertise, experience, and the marketing ability of its personnel to remain competitive. Although ProStar requires all employees, consultants, and third parties to agree to keep its proprietary information confidential, no assurance can be given that the steps taken by ProStar will be effective in deterring misappropriation of its technologies. Additionally, no assurance can be given that employees or consultants will not challenge the legitimacy or scope of their confidentiality obligations, or that third parties, in time, could not independently develop and deploy equivalent or superior technologies.

<u>Competing Technologies</u>

With respect to ProStar's software applications, several direct and indirect competitors are currently in the market with product offerings that could be considered at least partially competitive to ProStar's products. These potential competitors vary in size and could have greater technical and/or financial resources than the Company, to develop and market their products. The financial performance of ProStar may be adversely affected by such competition. Additionally, no assurances can be given that additional direct competitors to ProStar may not be formed or that ProStar may not lose some or all of its contracts with existing or future customers, thereby decreasing its ability to compete. Also, existing and future customers may have, or may develop, in-house solutions that could take the place of ProStar's software applications. Any adverse change in the business relationships with the ProStar's customers or partners could have a material adverse impact on the ProStar's software applications business and its future prospects.

<u>Internet and System Infrastructure Functionality</u>

The end customers of ProStar's software applications depend on internet service providers, Cloud service providers and ProStar's infrastructure for access to the software applications ProStar provides to its customers. These services are subject to service outages and delays due to system failures, stability or interruption. As a result, ProStar may not be able to meet a satisfactory level of service as agreed to with its customers, which could have a material adverse effect on ProStar's business, revenues, operating results and financial condition.

<u>Information Technology Security</u>

ProStar's software applications are dependent on its ability to protect its computer equipment and the information stored in its data centers against damage that may be caused by fire, power loss, telecommunication failures, unauthorized intrusion, computer viruses, disabling devices and other similar events. A failure in the Company's production systems or a disaster or other event affecting production systems or business operations, both internally and externally, could result in a disruption to ProStar's software services. Such a disruption could also impact ProStar's reputation and cause it to lose customers, revenue, face litigation, or necessitate customer service/repair work that would involve substantial costs and could ultimately have a material impact on ProStar.

ProStar's geospatial database has become a valuable asset to ProStar. While ProStar has invested in database management, information technology security, firewalls, offsite duplicate storage and periodic audits, there is a risk of a loss of data through unauthorized access or a customer violating the terms of ProStar's end user licensing agreements and distributing unauthorized copies of its data. ProStar has, and will continue to invest, in both legal resources to strengthen its licensing agreements with its customers and in overall information technology protection.

Software Functionality

Defects in ProStar's software applications, delays in delivery, and failures or mistakes in the ProStar's software code could materially harm ProStar's business, including customer relationships and operating results.

Global Positioning System Failure

Prostar's software relies on GPS technology for location data. GPS satellites have been available to the commercial market for many years. The continued unrestricted access to the signals produced by these GPS satellites are helpful in the collection of ProStar's IFSAR data. A loss of GPS would have such a global impact that it is believed that controlling authorities would almost certainly make another system available to GPS receivers in relatively short order.

If the market for analytics products and services fails to grow as we expect, or if businesses fail to adopt our platform, our business, operating results, and financial condition could be adversely affected.

Since 2016, nearly all of ProStar's revenue has come from sales of our subscription-based software platform. ProStar expects these sales to account for a large portion of ProStar's revenue for the foreseeable future. Although demand for GIS mapping products and services has grown in recent years, the market for GIS mapping products and services continues to evolve and the secular shift towards self-service GIS mapping may not be as significant as ProStar expects. ProStar cannot be sure that this market will continue to grow or, even if it does grow, that businesses will adopt our platform. The Company's future success will depend in large part on the Company's ability to further penetrate the existing market for GIS mapping software, as well as the continued growth and expansion of what ProStar believes to be an emerging market for GIS mapping software and services that are faster, easier to adopt, easier to use, and more focused on self-service capabilities. The Company's ability to further penetrate the business analytics market depends on a number of factors, including the cost, performance, and perceived value associated with ProStar's platform, as well as customers' willingness to adopt a different approach to GIS mapping and underground asset locating. ProStar has spent, and intends to keep spending, considerable resources to educate potential customers about GIS mapping software and services in general and our platform in particular. However, ProStar cannot be sure that these expenditures will help ProStar platform achieve any additional market acceptance. Furthermore, potential customers may have made significant investments in legacy GIS mapping software systems and may be unwilling to invest in new products and services. In addition, slower adoption of GIS data collection in the government, department of transportations and construction companies may impact the growth. If the market fails to grow or grows more slowly than ProStar currently expects or businesses fail to adopt ProStar's platform, the Company's business, operating results, and financial condition could be adversely affected.

We derive substantially all of our revenue from our software platform, and our future growth is dependent on its success.

Since 2016, nearly all ProStar's revenue has come from sales of our subscription-based software platform. ProStar expects these sales to account for a large portion of ProStar's revenue for the foreseeable future. As such, the continued growth in market demand for our platform is critical to the Company's continued success. Accordingly, ProStar's business and financial results will continue to be substantially dependent on our single software platform.

If we are unable to attract new customers and expand sales to existing customers, both domestically and internationally, our revenue growth could be slower than we expect and our business may be harmed.

ProStar's future revenue growth depends in part upon increasing ProStar's customer base. ProStar's ability to achieve significant growth in revenue in the future will depend, in large part, upon the effectiveness of ProStar's marketing efforts, both domestically and internationally, and ProStar's ability to attract new customers. This may be particularly challenging where an organization has already invested substantial personnel and financial resources to integrate traditional GIS mapping software into its business, as such organization may be reluctant or unwilling to invest in new products and services. If the Company fails to attract new customers and maintain and expand those customer relationships, the Company revenue will grow more slowly than expected and the Company's business will be harmed.

If we are unable to develop and release product and service enhancements and new products and services to respond to rapid technological change in a timely and cost-effective manner, our business, operating results, and financial condition could be adversely affected.

The market for our platform is characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. The introduction of products and services embodying new technologies can quickly make existing products and services obsolete and unmarketable. GIS mapping software and services are inherently complex, and it can take a long time and require significant research and development expenditures to develop and test new or enhanced products and services. The success of any enhancements or improvements to our platform or any new products and services depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with existing technologies and our platform, and overall market acceptance. We cannot be sure that we will succeed in developing, marketing, and delivering on a timely and cost-effective basis enhancements or improvements to our platform or any new products and services that respond to technological change or new customer requirements, nor can we be sure that any enhancements or improvements to our platform or any new products and services will achieve market acceptance. Any new products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue.

The competitive position of our software platform depends in part on its ability to operate with third-party products and services, and if we are not successful in maintaining and expanding the compatibility of our platform with such third-party products and services, our business, financial position, and operating results could be adversely impacted.

The competitive position of our software platform depends in part on its ability to operate with products and services of third parties, software services and infrastructure. As such, we must continuously modify and enhance our platform to adapt to changes in hardware, software, networking, browser, and database technologies. In the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure, or our platform may not support the capabilities needed to operate with such hardware, software, or infrastructure. In addition, to the extent that a third party were to develop software or services that compete with ours, that provider may choose not to support our platform. We intend to facilitate the compatibility of our software platform with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and operating results could be adversely impacted.

Our revenue growth and ability to achieve and sustain profitability depends on being able to expand our direct sales force and increase the productivity of our sales force successfully.

To date, most of our revenue has been attributable to the efforts of our direct sales force in the United States. In order to increase our revenue and achieve and sustain profitability, we must increase the size of our direct sales force, both in the United States and internationally, to generate additional revenue from new and existing customers. We intend to substantially further increase our number of direct sales professionals. In addition, we also intend to work via channel partners such as GIS equipment manufacturers.

Management Experience and Dependence on Key Personnel

The Company's success is largely dependent on the performance of the proposed directors and officers. Certain members of the Company's management team have experience in the in the underground utility & energy industries, technology and software development industry, while others have experience in areas including financial management, corporate finance and sales and marketing. The experience of these individuals is a factor which will contribute to the Company's continued success and growth. The Company will initially be relying on its board members, as well as independent consultants and advisory board, for certain aspects of the Company's business. The amount of time and expertise expended on the Company's affairs by each of its management team, consultants, advisory board members and directors will vary according to the Company's needs. The Company does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any member of management, the Company's board, or any key employee or consultant, could have a material adverse effect on the Company's future. Investors who are not prepared to rely on the Company's management team should not invest in the Company's securities.

Limited Operating History

As a result of ProStar's limited operating history, its ability to forecast its future results of operations and plan for and model future growth is limited and subject to a number of uncertainties. ProStar has encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. ProStar may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that it does not receive as a result of delays arising from these factors, and its results of operations in future reporting periods may be below the expectations of investors. If ProStar does not address these risks successfully, its results of operations could differ materially from its estimates and forecasts or the expectations of investors, causing its business to suffer and its stock price to decline.

Uncertainty of Additional Funding

Further development of ProStar applications will require additional capital and the Company will require working capital to meet administration and ongoing listing costs. There is no assurance that the Company will be successful in obtaining any required financing or that such financing will be available on terms acceptable to the Company's management. Any future financing may also be dilutive to the current shareholders of ProStar and the Company.

Negative Cash Flow

ProStar has a limited history of operations, cash flow or profitability. ProStar has had negative operating cash flow since its inception, and may continue to have negative operating cash flow. No assurance can be given that the Company will ever attain positive cash flow or profitability or that additional funding will be available for operations.

Uninsured or Uninsurable Risks

The Company intends to insure its operations in accordance with technology industry practice. However, the Company may become subject to liability for hazards against which the Company cannot insure or against which the Company may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position.

Contractual Risk

The Company is party to various contracts and it is always possible that contracts to which they are parties will not be fully performed by other contracting parties.

Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

Risks related to the Company's marketable securities

Market for Securities and Volatility of Share Price

The market price for the Company's securities could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, announcements of quarterly variations in operating results, revenues and costs, and sentiments toward stocks as well as overall market movements, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of a particular company.

Speculative Nature of Investment Risk

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment.

Liquidity and Future Financing Risk

The Company will likely operate at a loss until its business becomes established and it may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations and expansion plans will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. Moreover, future activities may require the Company to alter its capitalization significantly and, if additional financing is raised by issuance of additional shares of the Company from treasury, control may change and shareholders may suffer dilution. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition and results of operations.

General Business Risks

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest.

Tax Risk

The Company is subject to various taxes including, but not limited to the following: income tax; goods and services tax; sales tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

Other External Factors

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.