



PROSTAR HOLDINGS INC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in United States Dollars)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

This notice is being provided in accordance with National Instrument 51-102 – Continuous Disclosure Obligations.

PROSTAR HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared By Management)
(Expressed in United States dollars)
AS AT,

	September 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash	\$ 616,278	\$ 3,404,012
Receivables and prepayments (note 5)	175,248	18,620
	791,526	3,422,632
Non-Current Assets		
Office equipment (note 6)	79,402	60,832
Right-of-use assets (note 6)	178,774	68,861
Intangible assets (note 7)	9,167	9,667
Total Assets	\$ 1,058,869	\$ 3,561,992
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 234,802	\$ 561,292
Deferred revenue	362,036	272,150
Lease liabilities (note 9)	122,932	18,505
Loans (note 10)	-	50,000
	719,770	901,947
Lease liabilities (note 9)	65,833	53,564
Total Liabilities	785,603	955,511
Shareholders' Equity (note 13)		
Share capital	25,952,815	25,200,821
Reserves	2,129,048	1,064,502
Accumulated other comprehensive income	57,762	-
Deficit	(27,866,359)	(23,658,842)
	273,266	2,606,481
Total Liabilities and Shareholders' Equity	\$ 1,058,869	\$ 3,561,992

Nature of Operations and Going Concern (note 1)
Subsequent events (note 19)

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 26, 2021

"Herb McKim"
Director

"Page Tucker"
Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

PROSTAR HOLDINGS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Unaudited – Prepared By Management)

(Expressed in United States dollars)

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue				
Sales	\$ 179,165	\$ 263,299	\$ 548,344	\$ 882,968
Cost of Sales	(64,988)	(38,970)	(182,131)	(112,104)
Gross Margin	114,177	224,329	366,213	770,864
Expenses				
Management	147,500	128,229	444,250	324,576
Information Technology	30,436	26,649	86,585	75,414
Product development	323,202	222,538	814,291	687,936
Sales and marketing	251,760	112,529	1,067,587	257,448
Consulting	1,600	47,500	27,225	79,575
Depreciation	38,546	8,262	104,101	38,094
Foreign exchange	487	-	20,684	-
Insurance	7,599	1,909	60,580	35,533
Investor relations	56,000	-	56,000	-
Office & miscellaneous	3,882	15,820	52,731	61,943
Professional fees	96,951	138,220	394,334	335,240
Rent	8,269	29,820	23,424	87,484
Salaries and wages	43,553	47,932	162,424	138,828
Share-based payments (note 13)	432,237	-	1,049,286	-
Software support	14,387	14,739	44,281	32,922
Transfer agent and filing fees	36,118	-	96,063	-
Travel	40,284	4,325	58,176	52,369
	(1,532,811)	(798,472)	(4,562,022)	(2,207,362)
	(1,418,634)	(574,143)	(4,195,809)	(1,436,498)
Other items				
Interest	(4,322)	(21,442)	(11,708)	(59,072)
Gain on disposal of asset	-	-	-	1,416
	(4,322)	(21,442)	(11,708)	(57,656)
Loss for the period	(1,422,956)	(595,585)	(4,207,517)	(1,494,154)
Other comprehensive income:				
Exchange difference on translation of parent	(26,529)	-	57,762	-
Loss and comprehensive loss for the period	\$ (1,449,485)	\$ (595,585)	\$ (4,149,755)	\$ (1,494,154)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	91,201,334	1,665,337	90,815,930	1,665,337
Loss Per Share				
Basic and Diluted	\$ (0.02)	\$ (0.36)	\$ (0.05)	\$ (0.90)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

PROSTAR HOLDINGS INC.
STATEMENTS OF EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 and 2020
(Unaudited – Prepared By Management)
(Expressed in United States dollars)

	2021	2020
Cash Flows used in Operating Activities		
Loss for the period	\$ (4,207,517)	\$ (1,494,154)
Non-cash items		
Depreciation	104,101	38,094
Accrued interest expense	14,431	48,917
Share-based payments	1,049,286	-
Loss on disposal of assets	-	(1,416)
Changes in non-cash working capital items:		
Accounts receivable and prepayments	(155,625)	(162,804)
Accounts payable and accrued liabilities	(323,010)	112,832
Deferred revenue	89,886	141,137
	<u>(3,428,448)</u>	<u>(1,317,394)</u>
Cash Flows used in Investing Activities		
Disposition of equipment	-	2,180
Purchase of equipment	(38,543)	(16,023)
	<u>(38,543)</u>	<u>(13,843)</u>
Cash Flows provided by Financing Activities		
Proceeds from Exercise of warrants	32,029	-
Subscription receipt financing	790,649	-
Share insurance costs	(55,424)	-
Preferred shares received in advance	-	1,450,000
Repayment of notes payable	-	(25,000)
Loan	(50,000)	267,400
Repayment of lease liability	(91,276)	(15,395)
	<u>625,978</u>	<u>1,677,005</u>
Change in cash during the period	(2,841,013)	345,768
Foreign exchange	53,279	-
Cash – beginning of period	<u>3,404,012</u>	<u>130,137</u>
Cash – end of period	\$ 616,278	\$ 475,905

Supplemental Information (note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

PROSTAR HOLDINGS INC.
STATEMENTS OF EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 and 2020
(Unaudited – Prepared By Management)
(Expressed in United States dollars)

	Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance – December 31, 2019	6,661,348	\$ 1,635,813	\$ 379,160	\$ -	\$ (16,930,913)	\$ (14,915,940)
Net comprehensive loss for the period	-	-	-	-	(1,494,154)	(1,494,154)
Balance – September 30, 2020	6,661,348	1,635,813	379,160	-	(18,425,067)	(16,410,094)
Conversion of preferred shares (note 12)	55,957,032	15,530,922	-	-	-	15,530,922
Listing expense (note 4)	13,058,431	4,078,848	-	-	-	4,078,848
Subscription receipt financing (note 13)	14,000,000	4,372,950	-	-	-	4,372,950
Share-issuance costs (note 13)	-	(417,712)	143,174	-	-	(274,538)
Share-based payments (note 13)	-	-	542,168	-	-	542,168
Net comprehensive loss for the period	-	-	-	-	(5,233,775)	(5,233,775)
Balance – December 31, 2020	89,676,811	25,200,821	1,064,502	-	(23,658,842)	2,606,481
Private placement (note 13)	1,430,000	790,649	-	-	-	790,649
Share issuance costs (note 13)	-	(84,298)	28,874	-	-	(55,424)
Warrants (note 13)	94,523	45,643	(13,614)	-	-	32,029
Share-based payments (note 13)	-	-	1,049,286	-	-	1,049,286
Net comprehensive loss for the period	-	-	-	57,762	(4,207,517)	(4,149,755)
Balance – September 30, 2021	91,201,334	\$ 25,952,815	\$ 2,129,048	\$ 57,762	\$ (27,866,359)	\$ 273,266

The accompanying notes are an integral part of these condensed consolidated interim financial statements

PROSTAR HOLDINGS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(figures in tables are expressed in United States dollars, except per share amounts)

1. Nature of Operations

ProStar Holdings Inc (“PHI” or the “Company”) 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 RTO Transaction”) (note 4).

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 maintains its registered office at 1000-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and keeps its records at 488-1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7.

As part of the RTO Transaction the Company completed a 1-for-4 share split. The number of issued and outstanding shares has been retrospectively restated for all periods presented unless otherwise stated.

These condensed consolidated interim 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 these condensed consolidated interim financial statements. These 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 September 30, 2021, the Company had not achieved profitable operations, had accumulated a deficit of \$27,866,359 since inception and expects to incur further operating losses as it develops and expands its business. The Company’s ability to continue as a going concern is dependent upon the ability to develop its business units, develop marketable software, 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.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. The Company has moved its personnel to remote working environments and has experienced minimal disruption to ongoing operations.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

PROSTAR HOLDINGS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(figures in tables are expressed in United States dollars, except per share amounts)

2. Basis of Preparation (cont'd...)

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements of the Company are presented in United States Dollars, unless stated otherwise.

Basis of Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated interim financial statements include the financial statements of the Company from the date of the RTO on December 29, 2020 and its 100% owned subsidiary, ProStar Geocorp Inc., Delaware, United States.

Significant accounting judgments, estimates, and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Actual results could differ from these estimates.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Functional currency

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations. The functional currency of the Company is the Canadian dollar and the functional currency of its wholly owned subsidiary, ProStar Geocorp, is the United States dollar.

Estimate useful life

The useful life of some of the Company's non-current assets is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any non-current asset would increase the recorded operating expenses and decrease long-term assets.

Impairment of accounts receivable

The Company exercises judgment in identifying impaired accounts receivable, the collection of which may be uncertain.

PROSTAR HOLDINGS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(figures in tables are expressed in United States dollars, except per share amounts)

2. Basis of Preparation (cont'd...)

Critical accounting judgments (cont'd...)

Deferred income tax

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which are described in Note 1.

Business combinations and reverse take-over

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 –Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest. The RTO is discussed in Note 4.

Critical accounting estimates

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Share-based payment

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them (Note 13).

The Company also used estimates to determine the value of equity issued as part of the reverse take-over transaction. The fair value was based on the value of equity issued in concurrent financings. (Note 4)

Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

3. Significant Accounting Policies

The accounting policies applied in preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's annual financial statements for the year ended December 31, 2020.

PROSTAR HOLDINGS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020***(figures in tables are expressed in United States dollars, except per share amounts)***4. Reverse Take-Over***(a) Reverse acquisition accounting*

PHI with Doxa Merger Corp. (a wholly owned subsidiary of PHI created for the purposes of completing the transaction) (PHI SubCo) entered into a definitive merger agreement (the "Merger Agreement") with ProStar GeoCorp on May 22, 2019 as amended on February 11, 2020, May 29, 2020, August 17, 2020 and September 30, 2020. On December 29, 2020, under the terms of the Merger Agreement, the RTO Transaction completed by way of a merger under the laws of Delaware and the shareholders of ProStar GeoCorp exchanged each common share they held in that Company for common shares of PHI on the basis of 4 common shares of PHI for each common share of ProStar GeoCorp, resulting in the issuance of 62,618,300 common shares.

Upon closing of the transaction, and immediately prior to the conversion of the subscription receipts (note 13), PHI had an aggregate of 75,676,813 common shares issued and outstanding. At the time of exchange the shareholders of PHI held 13,058,431 PHI shares, representing approximately 17.3% and the former shareholders of ProStar GeoCorp held 62,618,380 PHI shares, representing approximately 82.7% of the common shares issued and outstanding.

Under the terms of the Merger Agreement, immediately prior to the closing of the transaction:

- a) PHI settled all outstanding loans through the issuance of 11,059,601 post consolidation common shares and through the forgiveness of interest.
- b) PHI disposed of its wholly owned subsidiary, Doxa Energy US, Inc.
- c) The outstanding common shares of PHI were consolidated on the basis of one new PHI share for every 17 existing PHI shares, resulting in 13,058,431 common shares outstanding.
- d) ProStar GeoCorp converted notes payable of \$1,693,918 to Class B preferred shares.
- e) All preferred shares of ProStar GeoCorp were converted to common shares of ProStar GeoCorp.
- f) PHI SubCo merged with and into ProStar GeoCorp, with ProStar GeoCorp surviving as a wholly owned subsidiary of PHI.
- g) Each outstanding share of ProStar GeoCorp was exchanged into four post-consolidation PHI shares.

Although the transaction resulted in a legal business combination, from an accounting perspective, the transaction is considered to be a reverse take-over. In accordance with reverse acquisition accounting:

- i. The assets and liabilities of ProStar GeoCorp are included at their historic value.
- ii. The net assets of PHI are included at fair value, assumed to be equal to their carrying value at December 29, 2020.
- iii. Share capital, reserves, accumulated other comprehensive loss and deficit of PHI up to the RTO on December 29, 2020 were eliminated.

The breakdown of the listing expense in the consolidated statement of loss and comprehensive loss, is as follows:

Purchase Price	
13,058,431 shares at \$0.31	\$ 4,078,848
Less: Net assets of PHI	
Cash	(4,382,603)
Accounts and other receivables	(2,868)
Accounts payable and accrued liabilities	51,865
Subscription receipt liability	4,372,950
Listing costs expensed	\$ 4,118,192

The fair value of the 13,058,431 shares retained by the PHI shareholders was determined to be \$4,078,848, which was based on the subscription receipt financing completed by PHI of 14,000,000 units at a price of CDN\$0.40 (USD \$0.31).

PROSTAR HOLDINGS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(figures in tables are expressed in United States dollars, except per share amounts)

5. Receivables and prepayments

	September 30, 2021	December 31, 2020
Trade receivables	\$ 2,660	\$ 13,000
Prepays	156,291	-
Other receivables	16,297	5,620
	<u>\$ 175,248</u>	<u>\$ 18,620</u>

6. Equipment and Right-of-Use Assets

	Office furniture and equipment	Computer equipment and software	Survey equipment	Right-of-use assets (Office leases)	Total
Cost					
Balance – December 31, 2019	\$ 35,655	\$ 105,484	\$ 9,334	\$ 29,762	\$ 180,235
Additions	8,864	12,352	1,226	86,981	109,423
Disposals	(1,874)	(5,586)	-	(29,762)	(37,222)
Balance – December 31, 2020	42,645	112,250	10,560	86,981	252,436
Additions	7,457	28,148	2,938	193,541	232,084
Balance – September 30, 2021	\$ 50,102	\$ 140,398	\$ 13,498	\$ 280,522	\$ 484,520
Accumulated Depreciation					
Balance – December 31, 2019	\$ 8,012	\$ 66,611	\$ 7,671	\$ 25,512	\$ 107,806
Depreciation	9,479	18,887	659	22,370	51,395
Disposals	(1,874)	(4,822)	-	(29,762)	(36,458)
Balance – December 31, 2020	15,617	80,676	8,330	18,120	122,743
Depreciation	6,467	12,555	951	83,628	103,601
Balance – September 30, 2021	\$ 22,084	\$ 93,231	\$ 9,281	\$ 101,748	\$ 226,344
Balance – December 31, 2020	\$ 27,028	\$ 31,574	\$ 2,230	\$ 68,861	\$ 129,693
Balance – September 30, 2021	\$ 28,018	\$ 47,167	\$ 4,217	\$ 178,774	\$ 258,176

7. Intangible assets

	Patent
Cost	
Balance – December 31, 2020	\$ 505,000
Amortization	-
Balance – September 30, 2021	\$ 505,000
Accumulated Amortization	
Balance – December 31, 2019	\$ 495,000
Amortization	333
Balance – December 31, 2020	495,333
Amortization	500
Balance – September 30, 2021	\$ 495,833
Balance – December 31, 2020	\$ 9,667
Balance – September 30, 2021	\$ 9,167

Patents

A total of \$495,000 had been expended to acquire certain patents. The patents are being amortized over a period of 15 years.

PROSTAR HOLDINGS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020***(figures in tables are expressed in United States dollars, except per share amounts)***8. Accounts Payable and Accrued Liabilities**

	September 30, 2021	December 31, 2020
Trade accounts payable	\$ 172,642	\$ 499,132
Payroll liabilities	62,160	62,160
	<u>\$ 234,802</u>	<u>\$ 561,292</u>

9. Lease liabilities

The changes in lease liabilities are shown in the table below:

Lease liabilities		
Balance, December 31, 2019		\$ 5,074
Recognition of lease liability		86,981
Accrued finance expense		6,112
Lease payments		<u>(26,098)</u>
Balance, December 31, 2020		72,069
Recognition of lease liability		193,541
Accrued finance expense		14,431
Lease payments		<u>(91,276)</u>
Balance, September 30, 2021		<u>\$ 188,765</u>
Current		\$ 122,932
Long-term		<u>\$ 65,833</u>

The Company has applied an incremental borrowing rate of 9.00%.

10. Loans*Small Business Administration Payroll Protection Program Loan*

As part of the US Government response to the COVID-19 global pandemic, certain businesses were eligible to apply for a Small Business Administration Payroll Protection Program Loan ("SBA PPP Loan"). The SBA PPP Loan amount was calculated based on 2019 payroll expenses. Borrowers can apply for loan forgiveness if evidenced that minimum of 75% of loan proceeds were used for qualified payroll expenses and up to 25% used for qualified office utilities mortgage / lease expenses. During the period, the Company applied for the SBA PPP loan and received \$267,400 in loan proceeds, which was also forgiven during the year.

Line of credit

The Company has a line of credit facilities totaling \$150,000. The facilities incur interest at a rate of 1.00% above the Wall Street Journal U.S Prime Rate, were for terms of one year, and are secured over the assets of the Company. In the event of default the interest rate increased to 21%. During fiscal 2020, the Company drew down \$50,000, which was repaid during the period ended September 30, 2021.

PROSTAR HOLDINGS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**

(figures in tables are expressed in United States dollars, except per share amounts)

11. Notes Payable

	December 31, 2020
Balance – December 31, 2019	\$ 2,321,105
Interest and fees accrued	66,898
Repayments – cash	(694,085)
Conversion to Class B preferred shares	(1,693,918)
Balance – December 31, 2020 and September 3, 2021	\$ -

The Company was advanced short-term loans from both related and unrelated parties. The loans bore interest at 3% and were secured over the assets of the Company. The loans were issued on November 23, 2004, reissued on January 25, 2011, extended on January 9, 2014, restated on January 1, 2015, extended on January 1, 2017, were revised and extended on January 31, 2018 and were extended on September 30, 2020 to December 31, 2020, at which time the interest rate was amended to 3.5%.

During the year ended December 31, 2020, the Company made payments of \$694,085 and on December 29, 2020, the Company converted the balance of the notes payable (\$1,693,918) to Class B Preferred Shares (Note 12).

PROSTAR HOLDINGS INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(figures in tables are expressed in United States dollars, except per share amounts)

12. Preferred Shares

The following table summarizes the classes of the Company's subsidiary, ProStar GeoCorp, share capital which are presented as financial liabilities:

Preferred Shares Shares classified as financial liabilities	Class A		Class B		Class C		Class D		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
December 31, 2019	24,666,664	7,708,333	4,514,688	1,128,672	14,000,000	3,500,000	-	-	43,181,352	12,337,005
Issued	-	-	-	-	-	-	6,000,000	1,500,000	6,000,000	1,500,000
Issued in settlement of notes payable	-	-	6,775,672	1,693,918	-	-	-	-	6,775,672	1,693,918
Converted to common shares	(24,666,664)	(7,708,333)	(11,290,360)	(2,822,590)	(14,000,000)	(3,500,000)	(6,000,000)	(1,500,000)	(55,957,024)	(15,530,923)
December 31, 2020 and September 30, 2021	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -

During the period ended September 30, 2021, the Company did not issue any preferred shares.

During the year ended December 31, 2020, the Company's subsidiary, ProStar GeoCorp:

- a) Issued 6,000,000 Class D units at \$0.25 per share for proceeds of \$1,500,000, of which \$50,000 was received during the year ended December 31, 2019. Each unit includes one Class D preferred share and one-half of one transferrable share purchase warrant. Upon completion of the proposed reverse takeover ("RTO") each whole warrant entitles the holder to acquire one post-consolidation ProStar Holdings share at a price of CAD\$0.56 for a period of 24 months from the closing date RTO (December 29, 2020).
- b) Converted notes payable of \$1,693,918 into 6,775,672 Class B preferred shares, at a value of \$0.25 per share.
- c) Converted all Preferred Shares into common shares of ProStar GeoCorp and exchanged them for shares of the Company, resulting in the conversion of 55,957,024 preferred shares into 55,957,024 common shares.

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13. Share Capital

(a) Authorized Share Capital

As at September 30, 2021, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

(b) Common Shares

During the period ended September 30, 2021, the Company:

- a) Completed a non-brokered financing and issued a total of 1,430,000 units at a price of \$0.55 (CDN\$0.70) per unit for gross proceeds of \$790,649 (CDN\$1,001,000). Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of CDN\$1.00 for a period of 24 months. The Company paid share issuance costs of \$55,424 (CDN\$70,070) and issued 100,100 broker warrants. Each broker warrant entitles the holder to purchase a Common Share at an exercise price of CDN\$0.70 for a period of 24 months.
- b) Issued 94,523 common shares on exercise of share purchase warrants for proceeds of \$32,029 (CDN\$40,300).

During the year ended December 31, 2020, the Company:

- a) Completed a non-brokered subscription receipts financing issuing 14,000,000 subscription receipts at a price of CDN\$0.40 (USD - \$0.31) per share for gross proceeds of \$4,190,362 (CND \$5,600,000). Each subscription receipt converted into one unit upon completion of the RTO on December 29, 2020. Each unit comprises one share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share at a price of CDN\$0.60 for a period for 24 months.

The Company paid share issuances costs of \$274,539 and issued a total of 878,937 share purchase warrants (the "Broker Warrants"), with each Broker Warrant exercisable at CDN\$0.40 per Common Share for a period of 24 months ending December 29, 2022. The Broker Warrants were valued at \$143,174 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.21%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

- b) Converted preferred shares recorded as financial liabilities of \$15,530,922 to 55,957,024 common shares. Upon completion of the conversion a total of \$15,530,922, recognized as ProStar's preferred share liabilities, was transferred to share capital.

(c) Escrow

As at September 30, 2021, 12,889,258 common shares are held in escrow and an additional 20,842,022 are subject to contractual release resale restrictions. The escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

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13 Share Capital (Cont'd...)

Stock options

Stock option and warrant transactions are summarized as follows:

	Stock options		Warrants	
	Number	Weighted Average Exercise Price CDN	Number	Weighted Average Exercise Price CDN
Outstanding, December 31, 2019	-	\$ -	-	\$ -
Granted	7,000,000	0.40	17,878,937	0.57
Outstanding, December 31, 2020	7,000,000	0.40	17,878,937	0.57
Granted	1,735,000	0.63	815,100	0.96
Exercised	-	-	(94,523)	(0.43)
Expired / cancelled	(210,000)	0.40	-	-
Outstanding, September 30, 2021	8,525,000	\$ 0.45	18,599,514	\$ 0.59
Exercisable, September 30, 2021	3,332,500	\$ 0.46	18,599,514	\$ 0.59

The following stock options were outstanding as at September 30, 2021:

Exercise Price	Number	Expiry	Remaining Life (Years)
CDN\$0.40	6,790,000	December 29, 2025	4.28
CDN\$0.73	125,000	January 25, 2026	4.32
CDN\$0.73	125,000	January 29, 2026	4.33
CDN\$0.73	125,000	February 26, 2026	4.41
CDN\$0.65	150,000	March 26, 2026	4.49
CDN\$0.70	110,000	April 13, 2026	4.54
CDN\$0.70	200,000	May 26, 2026	4.65
CDN\$0.65	400,000	July 8, 2026	4.77
CDN\$0.48	500,000	August 9, 2026	4.86

The following warrants were outstanding as at September 30, 2021:

Exercise Price	Number	Expiry	Remaining Life (Years)
CDN\$0.56	10,000,000	December 29, 2022	1.25
CDN\$0.60	6,987,500	December 29, 2022	1.25
CDN\$0.40	796,914	December 29, 2022	1.25
CDN\$1.00	715,000	March 23, 2023	1.48
CDN\$0.70	100,100	March 23, 2023	1.48

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14. Management of Capital

The capital managed by the Company includes the components of shareholders' equity as described in the statements of shareholders' equity. The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part.

15. Supplemental Cash Flow Information

During the period ended September 30, 2021, the Company:

- a) Issued broker warrants valued at \$70,170 as share issuance costs.
- b) Entered into lease agreements and recognized right of use assets and lease liabilities of \$193,541.

During the period ended September 30, 2020, the Company entered into lease agreements and recognized right of use assets and lease liabilities of \$86,981.

16. Related Party Transactions

During the period ended September 30, 2021, the Company paid or accrued, to key management personnel, directors and their related companies:

	2021	2020
Chief Executive Officer	\$ 187,500	\$ 108,438
Chief Operating Officer	187,500	147,083
Chief Financial Officer	67,500	45,000
Total	\$ 442,500	\$ 300,521

Included in accounts payable is \$7,983 (December 31, 2020 - \$150,000) owing to officers of the Company.

17. Financial Risk Management

Fair value of financial instruments

The Company classifies 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 September 30, 2021, the Company does not carry any financial instruments at fair value and believes that the carrying values of cash, accounts receivable, accounts payable and accrued liabilities, notes payable, and preferred shares approximate their fair values because of their nature and/or relatively short maturity dates or durations.

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17. Financial Risk Management (cont'd...)

Classification of financial instruments

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

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 September 30, 2021 and December 31, 2020, 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 September 30, 2021, 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 accounts receivables. The Company holds cash at a major Canadian and United States banks in chequing accounts.

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 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.

18. Segmented Information

The Company operates in one reportable segment, providing Geospatial Intelligence Software for asset centric industries and earns revenue in one region, the United States.

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19. Subsequent Events

On November 24, 2021 the Company announced the closing of an upsized brokered private placement for gross proceeds of CDN\$5,750,000 and an upsized non-brokered financing of CDN\$4,450,000.

The Company issued 14,375,000 units, at a price of CDN\$0.40 per unit in the brokered financing. Each unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional share at an exercise price of CDN\$0.56 per share for a period of 24 months.

Concurrently, the Company completed a non-brokered private placement for gross proceeds of CDN\$4,450,000 through the issuance of 11,125,000 units on the same terms as the brokered private placement.

The Company paid cash commission to the agent of CDN\$402,500 (7% of the aggregate gross proceeds of the brokered financing) and issued 1,006,250 broker warrants. Each broker warrant is exercisable at a price of CDN\$0.40 for a period of two years into one common share. In addition, the Company issued 143,750 units (1% of the aggregate gross proceeds) to the agent, having the same terms as the units sold in the brokered offering.