



PROSTAR HOLDINGS INC.

**FORM 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022**

(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 nine-month period ended September 30, 2022. The MD&A takes into account information up to and including November 10, 2022.

The following information should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine-month period ended September 30, 2022 and with the audited consolidated financial statements and the accompanying notes for the years ended December 31, 2021 and 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

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.sedar.com.

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 488-1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7.

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, advances 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. Recent developments include integrating with 3M Dynatel locating devices, the continued improvement our primary application PointMan® PRO, which works globally and will operate on the Android and iOS platforms. Further development and improvements are planned, mostly financed by our customers.

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 SaaS platform expanded in March 2021, with the addition of PointMan® PRO, which works globally and will operate on the Android and iOS platforms. ProStar is actively targeting new clients, with a focus on key verticals while also looking to expand into new verticals. With the completion of the proposed merger and concurrent financing the Company plans 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 these audited financial statements. The Company's 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, 2022, the Company had not achieved profitable operations, had accumulated a deficit of \$33,147,352 since inception and expects to incur further operating losses in the development of 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.

Recent Events & Overall Performance

During the period ended September 30, 2022 the Company:

- a) Announced on February 28, 2022 that Landmark EPC had adopted ProStar's PointMan solution to precisely map critical underground infrastructure of the City of Boulder, Colorado, including the city's sewer and service systems.
- b) Announced on March 2, 2022 that Canadian Patent No. 2,980,438, prepared and prosecuted by Lewis Roca Rothgerber Christie LLP, one of the United States leading intellectual property law firms, has been granted to ProStar. The patent is a pioneer patent field of utility data collection and directed to an improved method for calculating tolerance zones for utility assets. The patented method provides critical utility asset data in a more timely and efficient manner, helping to prevent damages to utilities and the environment during infrastructure construction, repair, and groundbreaking activities.
- c) Announced on March 23, 2022, that the Company has successfully completed the Trimble GPS (Global Positioning System)/GNSS (global navigation satellite system) receiver integration of its flagship product, PointMan, for Apple iOS. Trimble Catalyst is a revolutionary GNSS concept delivering positioning as a service to Android and iOS devices. With the addition of the simple, lightweight Trimble DA2 GNSS receiver and an on-demand accuracy-based subscription, PointMan's integration provides a precise and comprehensive data collection solution to capture, record and display the precise location of critical underground infrastructure.
- d) Announced on March 24, 2022, that Kokosing Construction Company Inc., one of America's largest heavy highway construction companies, has implemented Prostar Holdings Inc.'s cloud and mobile solution, PointMan.
- e) Announced on May 24, 2022, that Scout Energy Partners, a private energy producer, has signed a service-level agreement (SLA) for the Company's cloud and mobile solution, PointMan. Scout Energy Partners is a private energy producer based in Dallas TX and produces over 110,000 barrels of oil equivalent per day. Scout focuses on acquiring, operating, and improving upstream energy assets and associated midstream energy infrastructure.
- f) Announced on June 20, 2022 that Utility Mapping (Aust) Pty. Ltd. ("Utility Mapping") has adopted the Company's PointMan cloud and mobile mapping solution. Utility Mapping is recognized as a leader in providing underground utility location and mapping solutions in Australia that achieve zero harm to utilities, people and the environment. Utility Mapping delivers

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innovative utility locating and mapping, non-destructive digging, and survey services for the civil, design, environmental, geotechnical, utilities, infrastructure and facilities management sectors.

- g) Announced on August 23, 2022 that client, client Landmark EPC was awarded a major contract to locate and map over 75,000 miles of mainlines and 1.5 million services. Landmark was awarded the contract based on its professional services, time of delivery and use of Prostar's PointMan Precision Mapping Solutions.
- h) Announced on August 30, 2022 that CompassData Inc. has adopted Prostar's solution, PointMan, to improve the mapping of infrastructure. Denver, Colorado-based CompassData, Inc. specializes in collecting high-quality, spatially-accurate data for Geographic Information Systems (GIS) applications, photogrammetry, and remotely sensed data. CompassData, Inc. uses the latest in Global Positioning System (GNSS) technology combined with years of field experience and a proven system to ensure the accuracy and currency of our data.
- i) Announced on September 9, 2022 the grant of 2,229,000 stock options, each exercisable at a price of 25 cents per common share for a period of five years, of which 1.35 million stock options are being granted to directors, senior officers and IR (investor relations) service providers of the company. In addition, for the purpose of staff retention, the board has approved the repricing of a total of 2.94 million stock options of the company to 25 cents per common share. Note that no board or officer stock options were repriced.
- j) Announced on September 13, 2022 that 2M Locating has adopted Prostar's PointMan mobile application to enhance its utility mapping operations. 2M Locating is a Sacramento-based underground utility locator serving California and Western Nevada. 2M Locating uses only the latest in ground penetrating radar (GPR), electromagnetic (EM), GPS & drone / UAV technologies to ensure our clients get the most accurate underground utility locating and mapping services possible.
- k) Announced on September 26, 2022 that Matthew Dragon has joined as the company's director of sales and Mr. Dragon will be responsible for managing sales for Prostar's patented flagship application PointMan. Mr. Dragon's responsibilities will be to utilize his extensive experience in sales, marketing and engineering to increase Prostar's market penetration across the United States, Canada, and the rest of the world.
- l) Announced on October 20, 2022 that LMI (Locate Management Institute) of Canada has adopted the Company's PointMan mobile mapping software into its underground facility locator training curriculum. LMI is licensed by DBYD Certification Ltd. (DCL) and is the only training provider in Canada to deliver and manage the Canadian certified locator program to independently assess locator qualifications based on DCL's certified locator program in Australia. LMI educates over 1,000 students annually and provides instruction on underground facility-locating best practices. Its training courses are offered in several countries, including Canada, the United States, Australia and New Zealand.
- m) Announced on November 3, 2022 that HKS Utility Services has adopted Prostar Holdings Inc.'s flagship solution, PointMan, to enhance its subsurface utility engineering services. HKS Utility Services is a subsidiary of Harris Kocher Smith, a Denver-based consulting firm providing civil engineering and land surveying services. HKS Utility Services is a leading provider of Subsurface Utility Engineering (SUE) services, including utility designation, test holes, and other field-related SUE services.

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Summary of Quarterly Results

	September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2021	
Working capital	\$	2,933,548	\$	4,136,870	\$	5,397,329	\$	6,410,220
Total revenue		251,085		169,307		188,564		201,856
Share-based compensation		351,848		26,858		130,099		227,366
Net loss		(1,368,008)		(1,187,291)		(1,226,956)		(1,498,738)
Comprehensive loss		(1,582,103)		(1,318,805)		(1,168,648)		(1,527,993)
Net loss per share – basic		(0.01)		(0.01)		(0.01)		(0.02)
	September 30, 2021		June 30, 2021		March 31, 2021		December 31, 2020	
Working capital	\$	71,756	\$	1,093,192	\$	2,176,031	\$	2,520,685
Total revenue		179,165		180,901		188,278		240,016
Share-based compensation		432,237		338,190		278,858		542,952
Net loss		(1,422,956)		(1,502,592)		(1,281,969)		(5,233,775)
Comprehensive loss		(1,449,485)		(1,418,301)		(1,281,969)		(5,233,775)
Net loss per share - basic		(0.02)		(0.01)		(0.01)		(0.62)

Discussion of Operations

The condensed consolidated interim financial statements reflect the financial condition of the Company's business for the three- and nine-month periods ended September 30, 2022. The significant events during the period which impacted the financial results of the Company, which are discussed in more detail above in the performance summary section and merger section, are:

- The ongoing development and of the ProStar PointMan SaaS solutions, including PointMan Pro, which was released on June 30, 2021.
- Continued marketing to raise awareness of the Company and its products, largely focused on the PointMan Pro solution.
- The easing of project delays and travel restrictions due to COVID-19.

Please note that the Company completed the RTO transaction on December 29, 2020 and the results below include the results of ProStar Holdings Inc from December 29, 2020.

Revenue

	September 30, 2022	September 30, 2021	Increase (Decrease)	% Change
Sales – 9 months	\$608,956	\$548,344	\$60,612	11%
Sales – 3 months	\$251,085	\$179,165	\$71,920	40%
Invoiced – 9 months	\$570,342	\$557,110	\$13,232	2.3%
Invoiced – 3 months	\$387,251	\$276,950	\$110,301	40%

For the nine-month period ended September 30, 2022, the Company generated \$608,956 (+11%) in SaaS sales (2021 - \$548,344) and for the three-month period ended September 30, 2022, the Company generated \$251,085 (+40%) (2021 - \$179,165) in SaaS sales. During the three-month period ended September 30, 2022 the Company invoiced clients for \$387,251 (+40%) (2021 - \$276,950) in SaaS sales and the deferred revenue balance increased to \$352,047 (+319%) from \$84,198 at June 30, 2022.

Since our Q4 capital raise the Company has been focused on sales and driving growth. Prostar invested significantly in marketing during the first half of the year which has begun generating daily high-quality leads. Our CEO, Page Tucker, has assumed responsibility over sales, has expanded the sales team, and chairs our daily sales meeting where we review all of the workflow around past leads and assignment and strategy around assigning new leads. At the end of the Q3 Matthew Dragon joined the Company as National Sales Director of sales. Mr. Dragon will be responsible for managing sales for Prostar's patented flagship application PointMan.

Post our marketing campaign and restructuring of the sales team the Company has seen multiple new leads and increased sales activity during and subsequent to period end. The majority of sales have been to large companies and the Company continues to see customers add additional licenses as they become familiar with our SaaS solution and the benefits it provides. We are continuing our marketing spend, although at a materially lower level as we have isolated what works and focused the marketing spend. We continue to get quality daily inbound calls in addition to our own outreach. In addition, we have added two new salespeople that

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started in Q3, including our National Head of Sales, Matthew Dragon, and we are already seeing new customer additions. In many cases we are seeing the sales cycle evolve from months to days, which is highly encouraging.

More recently we are seeing green shoots of a materially favorable regulatory environment that is gearing toward mandatory survey grade digital mapping. This is massively beneficial to us and there is no doubt that Colorado is leading the way with data management of underground (and aboveground) assets as evidenced by Colorado Department of Transportation ("CDOT") being the keynote speaker kicking off the 2022 SUE conference in Denver August 25 with Page Tucker, CEO Prostar, speaking after CDOT.

Our burn rate in the first half is higher than our expected burn rate in the second half owing to our marketing spend and the fact that most of our larger contracts renew and/or are billed in the second half of the year. We expect our burn in the second half to be less than our burn in the first half and we expect to continue to add additional new customers as well as continuing to expand our existing customers.

Overall we are pleased with the reorientation of the organization from product development to sales and we expect our sales growth rate to increase over the coming quarters.

Operating Expenses and Other Items

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

Depreciation

Depreciation for the nine-month period ended September 30, 2022, was \$111,242 (2021 – \$104,101) and for the three-month period ended September 30, 2022, was \$37,916 (2021 - \$38,546).

Sales and Marketing

Sales and Marketing for nine-month period ended September 30, 2022, was \$721,298 (2021 - \$1,067,587) and for the three-month period ended September 30, 2022, was \$230,323 (2021 - \$251,760). Marketing decreased as the Company refined and targeted its marketing. Following the completion of the financings the Company expects to continue to have significant marketing spend as it raises awareness of the Company's SaaS solutions.

Product development

Product development for the nine-month period ended September 30, 2022, was \$842,112 (2021 – \$814,291) and for the three-month period ended September 30, 2022, was \$224,498 (2021 - \$323,202). The Company continues to add features and advance all its SaaS solutions.

Investor relations

Investor relations for the nine-month period ended September 30, 2022, was \$220,284 (2021 - \$56,000), and for the three-month period ended September 30, 2022, was \$64,562 (2021 - \$56,000). The increase was due to the Company engaging investor relations consultants during 2021 and 2022 to raise awareness of the Company.

Management fees

Management fees for the nine-month period ended September 30, 2022, were \$450,000 (2021 – \$444,250) and for the three-month period ended September 30, 2022, was \$150,000 (2021 - \$147,500). Management fees includes payments to the Company's CEO and COO.

Professional fees

Professional fees for the nine-month period ended September 30, 2022, were \$570,292 (2021 – \$394,334) and for the three-month period ended September 30, 2022, were \$251,755 (2021 - \$96,951). During 2021, professional fees included significant activity related to the first year being a public company and trading on the TSX-V. During 2022, professional fees have remained high as the Company increased patent related activity, along with general corporate activities such as audit and accounting fees and general legal fees.

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Share-based payments

Share-based payments for the nine-month period ended September 30, 2022, were \$508,805 (2021 – \$1,049,286) and for the three-month period ended September 30, 2022, was \$351,848 (2021 - \$432,237). The Company granted 2,604,000 (2021 – 1,735,000) stock options during the nine-month period ended September 30, 2022, of which, 2,229,000 (2021 – 900,000) were during the three month period ended September 30, 2022. The expense relates to the valuation and vesting schedule of stock options granted. During the period ended September 30, 2022 the Company repriced a total of 2,940,000 stock options of the Company. The repriced stock options had a weighted average exercise price of \$0.485 and were repriced to an exercise price of \$0.25 per common share. The Company recorded incremental fair value of \$103,667 using the Black-Sholes Options Pricing Model.

Travel

Travel expenses for the nine-month period ended September 30, 2022, was \$180,555 (2021 – \$58,176) and for the three-month period ended September 30, 2022 was \$46,102 (2021 - \$40,284). Travel increased as restrictions related to COVID-19 eased and the Company increased conference attendance.

Liquidity and Capital Resources

During the period ended September 30, 2022, the Company's operating activities had cash outflows of \$3,782,255.

The Company's cash as at September 30, 2022 was \$3,358,563 and the Company's working capital was \$2,933,548.

Financing Activities

During the period ended September 30, 2022, the Company had net cash outflows of \$99,766. This included inflows of \$5,056 from the exercise of share purchase warrants and outflows included lease payments of \$104,822.

Investing Activities

During the period ended September 30, 2022, the Company's investing activities required net proceeds of \$5,534 related to the acquisition and disposition of equipment.

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 116,861,084 common shares issued outstanding.

Escrow:

As at the date of this report the Company had 7,733,555 common shares held in escrow and an additional 6,696,541 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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Stock options:

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

Exercise Price	Outstanding	Expiry
CDN\$0.40	4,900,000	December 29, 2025
CDN\$0.25	1,480,000	December 29, 2025
CDN\$0.73	125,000	January 25, 2026
CDN\$0.73	125,000	January 29, 2026
CDN\$0.73	125,000	February 26, 2026
CDN\$0.70	110,000	April 13, 2026
CDN\$0.70	150,000	May 26, 2026
CDN\$0.25	50,000	May 26, 2026
CDN\$0.65	125,000	July 8, 2026
CDN\$0.48	250,000	August 9, 2026
CDN\$0.25	250,000	August 9, 2026
CDN\$0.25	550,000	December 10, 2026
CDN\$0.45	375,000	April 22, 2027
CDN\$0.25	<u>2,229,000</u>	September 9, 2027
	10,844,000	

Warrants:

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

Exercise Price	Number	Expiry
Warrants:		
CDN\$0.56	10,000,000	December 29, 2022
CDN\$0.60	6,987,500	December 29, 2022
CDN\$1.00	715,000	March 23, 2023
CDN\$0.56	<u>12,750,000</u>	November 24, 2023
	30,452,500	
Broker Warrants:		
CDN\$0.40	780,914	December 29, 2022
CDN\$0.70	100,100	March 23, 2023
CDN\$0.40	1,006,250	November 24, 2023
CDN\$0.76	<u>71,875</u>	November 24, 2023
	1,959,139	

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.

The Company's financial instruments consist of accounts and other receivables, accounts payable and accrued liabilities, loans payable, and convertible note and are classified as amortized cost. The carrying values of these financial instruments approximate their fair values because of their nature and/or relatively short maturity dates or durations.

Cash is classified as being at fair value through profit or loss. The fair value of cash is measured in accordance with Level 1 of the fair value hierarchy.

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, 2022, 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, 2022, 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 \$172,064 as at September 30, 2022.

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.

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Contractual cash flow requirements as at September 30, 2022 were as follows:

	< 1 year \$	1 – 2 years \$	3 – 5 years \$	Total \$
Accounts payable and accrued liabilities	284,757	-	-	284,757
Lease liabilities	53,440	8,967	-	62,407
Total	338,197	8,967	-	347,164

Related Party Transactions

During the period ended September 30, 2022, the Company paid or accrued, to key management personnel, directors, and their related companies:

	2022	2021
Chief Executive Officer	\$ 225,000	\$ 125,000
Chief Operating Officer	225,000	125,000
Chief Financial Officer	90,000	45,000
Share-based payments	209,633	-
Total	\$ 749,633	\$ 295,000

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 period ended September 30, 2022.

Significant Accounting Policies

The Company's accounting policies are presented in Note 3 of the audited Consolidated Financial Statements for the period ended September 30, 2022 and have been consistently applied in the preparation of the audited consolidated financial statements.

Proposed Transactions

Except as described in elsewhere herein or in the Company's condensed consolidated interim financial statements as at September 30, 2022, 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 September 30, 2022, the Company had no material contractual obligations.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Significant accounting judgments, estimates, and assumptions

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. Please refer to the financial statement for a list of the significant judgments and estimates.

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.

Risks Related to the Company's Business

Loss of Proprietary Information

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.

Competing Technologies

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.

Internet and System Infrastructure Functionality

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.

Information Technology Security

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. ProStar recently began the development of a new product for ProStar's software platform, PointMan Pro (aka Transparent Earth Lite), but cannot be certain that it will generate significant revenue, if any. In addition, this product is designed to be used with ProStar's PointMan product and will not be sold independently. 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.

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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 funds to operate as a public company. 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 it will continue to have negative operating cash flow for the foreseeable future. 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 Resulting Issuer'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 Resulting Issuer. 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

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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.

COVID 19

Since June 30, 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. While this has not had a material impact on the Company to date, 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.