

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Initiating Research Coverage



ProStar Holdings Inc.

(OTC:MAPPF & TSX:MAPS.V)

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Disclosure: Portions of this report are excerpted from Prostar's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

Company Overview

ProStar Holdings Inc. 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 OTCQB, a US trading platform under the ticker symbol MAPPF. Prostar headquarters are in Grand Junction, Colorado located at 760 Horizon Drive, Suite 200 and is a Delaware incorporated enterprise. The Company maintains its registered office at 1000-595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5 and keeps its records at 1507-1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

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.

ProStar designed and developed a proprietary utility mapping solution that operates on a standard smart phone and has proven 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 modern cloud and mobile technologies, to deliver critical utility location information into the hands of project personnel where and when it is most needed, whether that is in the field or in the office. When accurate utility location information is delivered to project personnel in a timely manner, the risk of damage to buried assets often caused by construction and maintenance activities is significantly reduced.

After years of development and testing, ProStar now has a growing list of 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 company has also established strategic business relationships with the world's leading equipment manufacturers of utility and pipe locate devices as well as GPS/GNSS receivers.

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.

ProStar has been a presenter at several of our past conferences, so we have had the advantage of not only hearing the story firsthand, but also watching it evolve over the past 24 months or so. That noted, we will preface this report with a few observations we have gathered along the way.

First, as generalists, we often seek counsel from experts in the industries some of our coverage names operate in. That is another way of saying we fully submit that we are not industry experts, so we often try to gather the opinions of those who are. We think that is one of the benefits of having provided research

from a generalist perspective long enough that we have developed relationships with several people in that category. In the case of ProStar, our discussions with some of our experts suggest to us that there is a considerable need for the functionality and output of ProStar’s “PointMan®” platform.

Second, as we will delineate further in this report, the Company’s current PointMan® platform has evolved in part from a legacy platform they referred to as “Transparent Earth”. We believe some of that evolution was the result of the Company’s relationship with the Colorado Department of Transportation (“CDOT”) Kiewit as well as major engineering and surveying firms in the US and abroad. On the face, we believe the Company’s relationship with CDOT and the other firms provides a considerable reference customer that may indeed prove transformative, we do not think that relationship is well understood so we have attempted to delineate that throughout this report as well.

Third, while ProStar has been marketing PointMan® in some capacity for some time now, we think those efforts have been muted by a handful of challenges. However, we think those challenges are largely behind them, paving the way for what we believe is a more defined and focused product and marketing approach that should provide a basis for measurably improving revenue and operating results going forward.

Industry Overview

The Associated General Contractors of America (“AGC”) note: [Construction Data | Associated General Contractors of America \(agc.org\)](https://www.agc.org/construction-data) “*Construction is a major contributor to the U.S. economy. There were more than 919,000 construction establishments in the U.S. in the 1st quarter of 2023. The industry employs 8.0 million employees and creates nearly \$2.1 trillion worth of structures each year.* Construction is typically among the top 10 industries in the U.S. in terms of contribution to GDP. ProStar is a technology enabler to that infrastructure/construction industry and more specifically to the mitigation of subsurface utility damage, which is characterized by damage to buried utility lines, pipes, cables, etc., and are typically the result of construction excavation. To be clear, subsurface utility damage is an alarmingly common, markedly expensive and potentially catastrophic result of those construction and excavation activities. Further, the subsurface damage “ecosystem” involves a variety of stakeholders that include government jurisdictions such as states, counties municipalities and others, utility companies with assets buried in the ground, general contractors, engineers, surveyors, landowners, utility consumers and others.

There are a host of variables associated with the frequency of and/or the responsibility for subsurface utility damages. While stakeholders have varying views about who/why these incidents occur, there does seem to be some consensus around the notion that improved communication and information between/among stakeholders would likely have a positive impact on adverse outcomes. As we will cover in this report, the current national 811 “call-before-you-dig” system was created to encourage communication and information sharing between stakeholders, and while it has likely had a positive impact, the system also includes several weaknesses that may prohibit it from having a *measurable* impact on improving subsurface utility strikes (“SUS”). On the other hand, our view is that ProStar’s PointMan® technology provides a cloud based, real-time, platform that allows for the input, storage and retrieval of pinpoint accurate digital utility asset location data, that can be collaborated and shared by all (participating) stakeholders. While the Company’s success may depend on their ability to demonstrate and encourage adoption of the platform across these various stakeholders, we believe their success in that regard could markedly mitigate the considerable costs currently being realized by a variety of relevant constituents.

According to the Common Ground Alliance: [How to Spot Underground Utilities in Your Neighborhood \(gopherstateonecall.org\)](https://www.commongroundalliance.org/) “*there are about 20 million miles of underground facilities in the United States, with*

more being installed every day. These facilities provide heat, lights, sewer, water, communications and other services that homes, schools and businesses rely on day and night. Burying important pipes and cables underground helps protect them from exposure to the elements and from human-inflicted damage—which is why they need to be located and marked before anyone digs near them”.

Breaking some of that infrastructure down:

- According to U.S. Department of Transportation: [State Gas Pipelines - Breaking It Down: Understanding the Terminology \(ncsl.org\)](#) “the United States maintains about 2 million miles of natural gas distribution mains and pipelines 321,000 miles of gas transmission and gathering pipelines, 175,000 miles hazardous liquid pipeline, and 114 active liquid natural gas plants that are connected to natural gas transmission and distribution systems”.
- According to Scientific American: [U.S. Electrical Grid Undergoes Massive Transition to Connect to Renewables | Scientific American](#) “the U.S. electrical grid is the largest interconnected machine on Earth: 200,000 miles of high-voltage transmission lines and 5.5 million miles of local distribution lines, linking thousands of generating plants to factories, homes and businesses. The National Academy of Engineering ranks it as the greatest engineering achievement of the 20th century”. Further, the Energy Information Agency estimates that about 18% of U.S. transmission lines are buried underground. [Electric users ask: Why not put power lines underground? | CNN](#).

Just to edify, while the 20 million miles of underground facilities referenced above includes a host of buried infrastructure, we singled out the natural gas and electrical grid segments because those happen to be the two segments with the most catastrophic potential when they are breached. Furthermore, we often try to couch industry data in our references because we are confident that no one really knows exactly how many miles of infrastructure is buried beneath our feet, but the point is, whatever the number, it’s considerable and probably hard for most to fathom.

As an extension, Industry estimates regarding the costs, both direct and indirect, associated with repairing damaged infrastructure lines are also a bit elusive, but nearly all of them suggest the costs are in the *10’s of billions of dollars* annually. For instance: [Between the Poles: Cost of underground utility damage represents a major drag on national economies \(blogs.com\)](#) “Underground utility damage is expensive. Several jurisdictions have attempted to estimate the cost of underground utility damage for individual incidents and for entire national economies. Costs can be broken down into direct costs and indirect costs. Direct costs include the costs of sending a crew to repair the damaged pipe or cable. Indirect costs include many factors that are often hard to quantify such as traffic disruption, injuries and fatalities among workers and the public, and the lost custom that local businesses experience. An important conclusion from the research into the cost of underground utility damage is that it represents a major drag on national economies, \$50 to \$100 billion annually in the U.S.” On the other hand, we do have a better idea of just how much of that infrastructure gets inadvertently breached each year, in part because many of those indictments are reported and those numbers are perhaps even harder to comprehend.

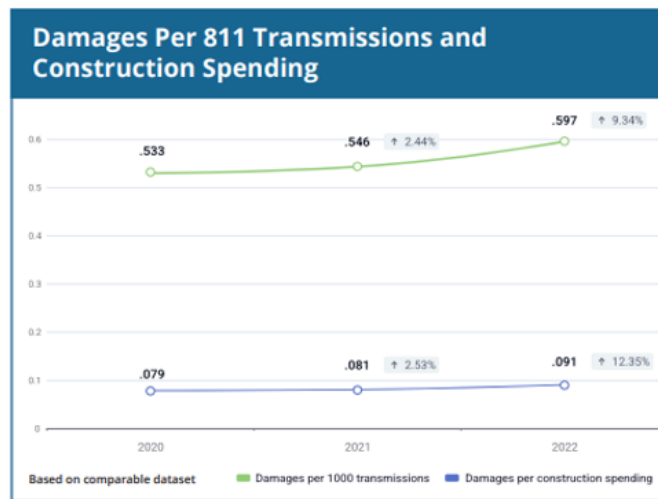
From a more granular perspective, the Common Ground Alliance (“CGA”), [Common Ground Alliance](#) is “a member-driven association of more than 3,200 damage prevention professionals in every facet of the underground utility industry. Membership in the CGA is open to all stakeholders with a genuine interest in reducing damages to the underground infrastructure. Established in 2000, CGA is committed to saving lives and preventing damage to North American underground infrastructure by promoting effective damage prevention practices of today and tomorrow. CGA’s top-tier members represent some of the largest companies and organizations in North America”.

Each year, the CGA compiles a report referred to as the Damage Information Reporting Tool Report (“DIRT”), which measures and chronicles the sources, causes, magnitude, breadth etc. of subsurface utility strikes across North America. Unfortunately, the dataset relies on a volunteer reporting system which ultimately results in a sample set as opposed to the complete frequency of annual accidents, as not every entity reports accidents. At best the frequency of events that cause damages is underreported. Here are a few bullet points and illustrations from the 2022 DIRT report:

- *There were 213,792 unique reported damages for 2022. (This was 453,766 in the 2020 DIRT Report)*

First, from our perspective, it is difficult to fathom that there were this many *reported* subsurface damage incidents in a single year. What is perhaps even more disconcerting is the fact that as **Table 1** below from CGA’s DIRT report reflects, these incidents seem to be getting more prevalent not less:

Table 1.



Regression Analysis The damages per construction spending and per transmission metrics normalize the number of damages accounting for factors most directly linked to levels of excavation activity. However, there are other less direct factors that can also influence the number of damages, such as weather, population and the density of infrastructure in an area. To fully understand the damage trends, CGA’s statistical consultant performed regression analysis on three years of comparable data at the state and national level, incorporating such additional variables.

- *Now, \$65 billion in federal funding to expand high-speed internet access is being deployed across the U.S. concurrently with hundreds of billions of federal and state dollars funding additional infrastructure improvements, resulting in a massive increase in excavation at an already challenging time.*
- *Increased construction spending consistently correlates with more damages. If significant changes are not made to U.S. damage prevention, infrastructure funding will further strain the system, resulting in more damages in the coming years.*

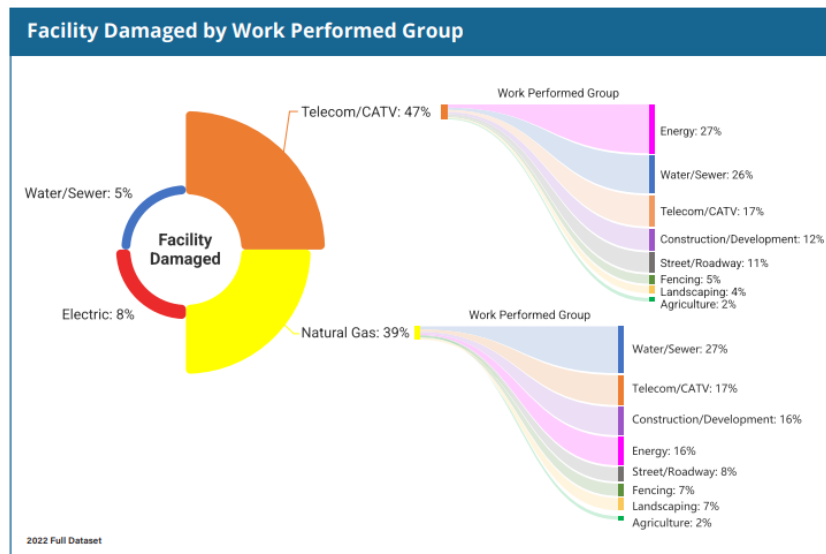
The bullet point above is just a portion of our point here, but Federal “infrastructure” legislation/spending aimed at not only expanded internet access, but also new roads and bridges, \$55 billion in appropriations for upgrading water systems and a host of other. In our view it is a near certainty that digging/excavation of old utilities, as well as the installation of new utilities will increase, perhaps dramatically, in the coming years. In our view, unless stakeholders in that process embrace/collaborate on viable solutions to mitigate subsurface incidents (like those provided by ProStar), the increase in infrastructure spending will drive

more and perhaps dangerous breaches, increasing (unnecessary) costs for all stakeholders, including states, counties and municipalities, contractors, utility owners, utility consumers and others.

- *Excavation/construction stakeholders were the leading source of damage reports for the first time. Contractors were involved in more than half of damages while completing telecommunications and natural gas work.*
- *Telecommunications and natural gas were the facilities most frequently damaged in 2022. Telecommunications work led to the most damages. Water, natural gas, sewer and electric work followed.*

While it is not surprising that the majority of the subsurface damage is done by contractors, (since they are the ones digging the holes), it is interesting to review the types of work being done and, which assets are the most effected when incidents occur. **Table 2** provides a look into some of that data:

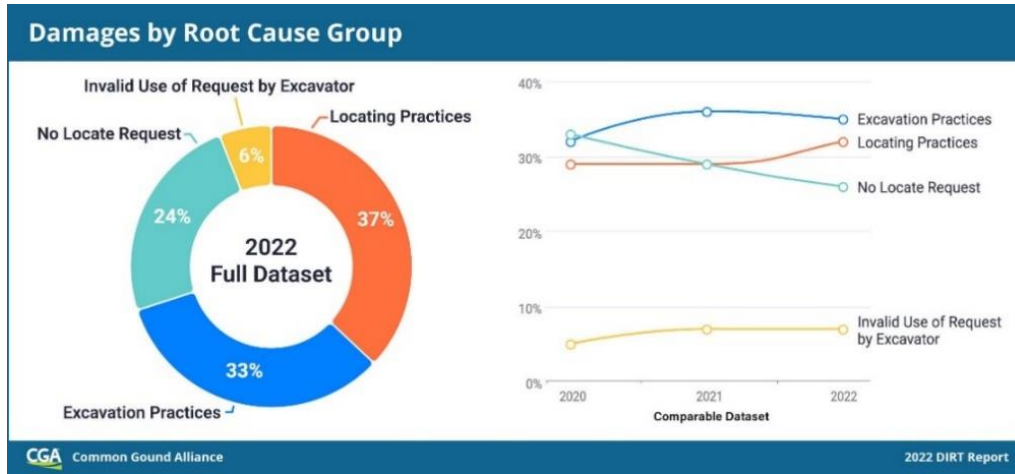
Table 2.



First, to one of our previous points, nearly half (47%) of all the adverse events identified (collectively) involved damages to electric and/or natural gas lines. Again in our view, those assets pose the highest risks of a catastrophic event (one involving sever injury or death), so they should probably be the most concerning for *all* stakeholders. Beyond that, it is interesting to consider the relationship between the assets that are damaged and the type of work being done when the damage occurred. For instance, 27% of the incidents involving damage to natural gas lines apparently occurred when work was being done on water/sewer systems. In those instances, a gas company’s assets were damaged by someone working on behalf of a water provider, which we assume in many cases was probably a municipality or other government jurisdiction. In another instance, “construction/development” work caused 5% of the sewer/water facility damages. Assuming some of that “construction/development” work was done on roads/highways that are the responsibility of a state, county municipality etc., which may be the same owner of the water/sewer assets. In that case the damage was done by *the same stakeholder that owned the asset*. Our point is, subsurface utility asset incidents are caused by a variety of stakeholders in turn damaging the assets of a variety of other or sometimes the same stakeholders and the iterations therein suggest that most of the stakeholders end up on each/both sides of that equation from one incident to the next. To reiterate, it seems to us that these stakeholders would be well served to collaborate on solutions that would mitigate subsurface damages and ostensibly benefit everyone.

While the above provides us some insights into what utilities are being damaged by subsurface incidents, as well as who may be damaging them, the DIRT report also provides some color on the causes/deficiencies that may be contributing to the events. The report breaks these “causes” down in **Table 3**.

Table 3.



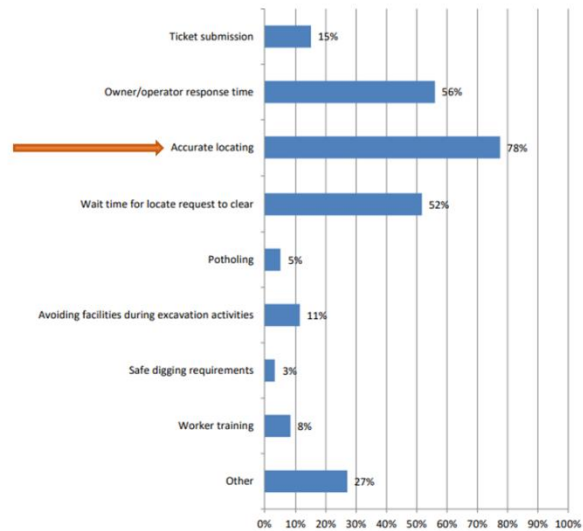
One of the underlying conclusions of **Table 3** may be that there are a handful of conflicts in determining the causes of subsurface damages, and they often boil down to finger pointing (for lack of a better term) amongst stakeholders. Here again, the excavators often end up in the bullseye of incident responsibility because they are digging the holes that ultimately result in the breach. However, as **Table 3** reflects, there are elements in the process that contractors and/or their excavation subs do not control. For instance, “Locating Practices” are implicated in over 1/3rd of damage incidents, and as the graph above notes, it seems to be an increasing portion of the problem. By extension, we think it is reasonable to suggest that an excavator may not be responsible for a breach if they dig somewhere they were told it was safe to dig (i.e. “Locator Error”). To further support the idea that better location information would be helpful, the following survey of contractors by one of their traded organizations (**Table 4**) reflects their definitive views of the current inadequacies of location processes. (we would add, this survey was conducted in the context of the current 811 call-before-you-dig system, which we will address further below as well).

Table 4.



2021 Underground Utility Safety and Damage Prevention 811 Survey Results

7. What do you find are the weakest elements of the 811 process? (Please choose up to 3)



When it comes to subsurface accidents, as one might expect the various stakeholders have differing views on where the blame for accidents lies. For instance, **Table 5** below reflects the results of DIRT’s survey of various stakeholders around the question of accident causation. We highlighted an obvious example of the differences of stake holders’ opinions below. Notice, for the question regarding the importance of

“Increased Focus on Locator Education and Training” notice, the Excavators think that is a bigger issue than the Locators. We think that may suggest that Excavators tend to think when they damage a utility asset digging a hole, it has more to do with poorly trained locators than with errors by excavators. Not surprisingly, stakeholders have different views of where the responsibility lies, which frankly, may be part of the problem. We would add, the other two line items we highlighted (in blue), *More Accurate and Accessible GIS-based Mapping Information and Improved Locate Technology*, basically describe the value proposition of PointMan®. We think it is particularly interesting that “Excavators/Road Builders” viewed these two line items collectively as having the most potential to reduce subsurface damages. We think that recognition may highlight part of the Company’s sales strategy. We will address that later in this report.

Table 5.



Strategies With Most Potential to Reduce Damages to Underground Facilities							
POLICIES/INITIATIVES	All	Telecom	Excavator/ Road Builder	Natural Gas Distribution	Locator	Liquid Pipeline/Gas Transmission	811 Center/ One Call
Improved communication between stakeholders <i>(locators, facility owners, excavators, etc.)</i>	15%	18%	17%	12%	18%	16%	20%
Increased focus on excavator education and training	12%	8%	11%	14%	10%	14%	10%
Comprehensive enforcement of state laws/regulations and/or modifications of those requirements as necessary	12%	13%	5%	17%	10%	19%	14%
Increased focus on locator education and training	10%	17%	13%	10%	4%	5%	4%
Enhanced accuracy and accessibility of facility GIS-based mapping information	10%	11%	12%	6%	12%	7%	8%
Improved locate technology	9%	8%	13%	8%	7%	8%	4%
Greater emphasis on increasing awareness and consistent use of 811	8%	2%	4%	14%	11%	12%	4%
Enhanced communication among stakeholders through robust positive response	7%	4%	6%	6%	7%	6%	10%

Focusing on another portion of **Table 5**, over the past few decades individual states have instituted “One-Call” systems to “*encourage communication and information sharing between stakeholders to reduce damages to underground facilities and to promote public safety related to excavation issues*”. In general, these programs provide a number for contractors, excavators homeowners and others to call before they dig. In turn the program typically contacts appropriate utility owners, who in turn dispatch representatives to the dig site to mark where their utility lines reside. For instance, if a homeowner is putting in new underground sprinklers, they can call the system and the local utility company may send someone to the homeowner’s property and spray lines indicating where their gas and/or electrical lines may run across the property allowing the homeowner to avoid damaging those buried lines. The same would occur on large construction projects although the identification/location of those buried assets is far more complex. As a bit of history, while those systems included a variety of numbers from one state/jurisdiction to the next, in 2005 the Federal Communications Commission “*designated 811 as the nationwide number for contractors and others to call before conducting excavation activities*”.

In 2021 the Infrastructure Protection Coalition (“IPC”) commissioned a study of the 811 notification system. That study was conducted by Continuum Capital and is entitled 811 Emergency: US-RPT.pdf (ipcweb.org). IPC is “*a group of associations representing broadband, electric, natural gas, pipelines, transportation, sewer, and water industries who design, construct, maintain or locate these underground systems, with both union and non-union workforces. These are regular users and stakeholders of the 811 system who want to see them run safely and efficiently*”. In short, the study identifies several deficiencies in the 811 system. As we illustrated in **Table 5** above, many stakeholders harbor similar concerns. Among other things, the report notes:

The reasons for the waste and cost overruns found in this study include: utilities and third-party locators needlessly sent to locate lines for construction projects that then do not happen; poor instructions given to locators, causing wasted time or additional work; locate marks destroyed by construction and then requiring reinstallation and contractor wait time when location efforts exceed the legal notice period. These costs amount to an additional \$61 billion in waste, inefficiency, and excess cost that is imbedded in the system and largely invisible. It sits on top of the \$30 billion in annual and out-of-pocket cost to the system calculated in 2019 by Common Ground Alliance (CGA). Regardless from whom or where these costs originate, they migrate over a 3- to 5-year timeline toward the most professional excavators and locators and by default to their utility customers, who are primarily the highly regulated electric and gas utilities, and ultimately their rate payers.

On the other hand, the report also provides several recommendations on how to improve both the 811 system, as well as how to mitigate the frequency, costs, and dangers of underground utility strikes overall. Again, referencing **Table 5**, there seems to be considerable consensus that greater communication and collaboration amongst stakeholders is paramount to reducing subsurface incidents. We think that includes collecting and storing better data and sharing it with other relevant stakeholders. In our view, PointMan® represents an important piece of that collaboration solution, which brings us to a final industry observation.

Our research for this document has uncovered some nuances about the industry that we do not fully understand. For instance, it seems to us that one of the reasons so many stakeholders seem to agree that greater communication and collaboration could help reduce subsurface strikes, is that they are keenly aware of the industry's lack of communication and collaboration. Succinctly, while 811 was designed to foster cooperation amongst relevant constituents, as we noted, it fails on various levels to achieve that. In our view, part of that failure is related to the reluctance of some stakeholders to provide and report data points that include things like accurate asset location, incident details and many others. For instance, we have read observations that suggest some utility owners do not want to share information regarding the location of their assets for “competitive reasons”. That is a good example of one of those nuances that *we do not fully understand*. To be clear, there may well be merit to the notion that concealing the location of assets provides a competitive advantage, we are simply saying that we do not fully understand that assessment. At the same time, we have read other observations that seem to suggest that some stakeholders have just accepted the inevitability of subsurface strikes, viewing them (and budgeting for them) as a “cost of doing business”. Again, we will address these notions more specifically below, but in general, for perhaps different reasons, we believe some stakeholders are more motivated to reduce these incidents than others. By extension, we also believe that identifying and driving adoption of solutions like PointMan® amongst those more motivated constituents, represents both ProStar's challenges as well as its opportunities. Further, the infrastructure plans that include aggressive initiatives to undergrounding power lines to shield them from natural disasters, the replace of antiquated U.S. water systems, the expansion of 5G and other broadband infrastructure, the passage and implementation of the national infrastructure bill and other large projects may necessitate, perhaps even legislate, the adoption of better subsurface mitigation solutions.

Despite the Call811 system being an industry standard for a long period of time, it appears to have limited effect on presumably its ultimate purpose: to eliminate accidents by properly identifying where underground infrastructure is. Integrating PointMan with excavation guidance systems will take accidents to near zero.

Technology/Product

As we attempted to present above, SUS's are an acute and growing problem and the issue impacts several stakeholders, in and amongst themselves. In our view, while it is difficult to fathom the sheer frequency of these events, there *are* coherent reasons why these strikes are as prevalent as they are. As we will try to demonstrate, we think ProStar's PointMan® may represent a solution that can address some of the headwinds that stakeholders have collectively faced trying to mitigate these incidents. To that notion, we

think some of the Company's more referenced collaborations have played a role in the genesis of that solution. That said, it may be helpful to review a bit of the Company's history around the technology to better understand its opportunity may be helpful.

As we noted above, ProStar's original product was called "Transparent Earth", however, the Company ultimately developed PointMan® as an extension of that original platform, but we think that process included collaboration from both the Colorado Department of Transportation ("CDOT") and Kiewit, which is one of North America's largest construction and engineering companies. As we understand it, PointMan® was developed *in part* through collaborations with CDOT and Kiewit. In our view, the importance of that collaboration (past, present and future) in developing PointMan® from two high end examples of the "stakeholders" we reference throughout this report cannot be overstated. That said, here is some narrative from the Company's collateral that describes some of the functionality of the platform.

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 lie 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.

Given that high level backdrop, perhaps we can provide some insights into what PointMan® is (and what it is not) and try to frame its value proposition and resulting opportunities.

First, to understand one of PointMan's major benefits, it may be helpful to highlight some of the weaknesses in current protocols that prohibit effective utility strike mitigation. As we alluded to above, for whatever reason(s), many of the stakeholders in the SUS damage ecosystem have been/are reluctant to share data regarding the location of their assets. Again, we have seen suggestions that some of that approach focuses on competitive issues, but regardless of the reasons, much of the information regarding existing buried utilities is siloed in the servers and/or file cabinets of hundreds of individual stakeholders, towns, cities, counties, states, water districts, telecom providers, gas companies, electric companies and others. There is no central repository, clearinghouse, or other central database that houses all that data and is in turn accessible by those who might be able to benefit from it. Perhaps in its most basic sense, PointMan® represents a central database capable of storing large amounts of data and ultimately combining those hundreds of location data silos. Recognize, while the current 811 system provides a dispatch through which different stakeholders can collaborate regarding the location of utilities, it does not control any data.

Second, the lack of collaboration in terms of sharing location data is counterintuitive to the notion that many of the stakeholders seem to agree that greater communication and collaboration is key to reducing subsurface utility strikes. The fact is, inasmuch as we accept that there has not historically been as much collaboration as many would like, the technological ability to create and maintain a ubiquitous open platform to gather, store and retrieve data about 20 million miles of underground utilities has not been around all that long. Keep in mind, the Company's technology was originally built and commercialized on Microsoft's Azure cloud platform. Azure was first commercialized in 2010 and it has taken many industries time to develop, adopt and/or migrate legacy systems onto cloud-based platforms. Many others are still in

process or still contemplating the transition. In our view, it is difficult to imagine a viable platform that could enable collaboration across potentially hundreds of stakeholders without the cloud. As an extension, that cloud-based functionality also allows for real time, mobile access to large amounts of data, which is what makes it so valuable. Recall, we noted above that we believe CDOT and Kiewit, while certainly reference customers, have also been instrumental in driving some of the development of PointMan® and we think that includes the integration of some of these technological advances. Put another way, we concede that a lack of willingness amongst stakeholders to share data has impeded progress, but we also believe that it is reasonable to suggest that availability of the technology required to execute and scale the platform has also played a role.

Third, while we are not sure this portion of the platform is well understood, ProStar has spent considerable time, effort and money making PointMan® hardware agnostic. To edify, there are several companies making hardware that provides concise measurement, mapping and storage of subsurface utility location data and as **Table 6** below reflects, the Company has integrated PointMan® with most of the major hardware providers in the industry. In our experience, small software companies that have been unable to integrate their products with most of the major hardware providers in a particular space have had a difficult time succeeding. Specifically, it is difficult enough for a small software company to drive adoption of a new technology, but if that adoption requires customers to buy specific, or even new hardware to make the software work, that sale becomes considerably more difficult. Here again, we think CDOT and Kiewit may have pushed this interoperability, and we think that may have delayed the acceleration of the commercial traction as these interfaces were being built. For instance, going back through the Company’s releases, some of these integrations were announced very recently (2024). In our view, these integrations/collaborations will help drive adoption of PointMan® by the hardware customers of their partners, but also by other stakeholders that require interoperable approaches.

Table 6.

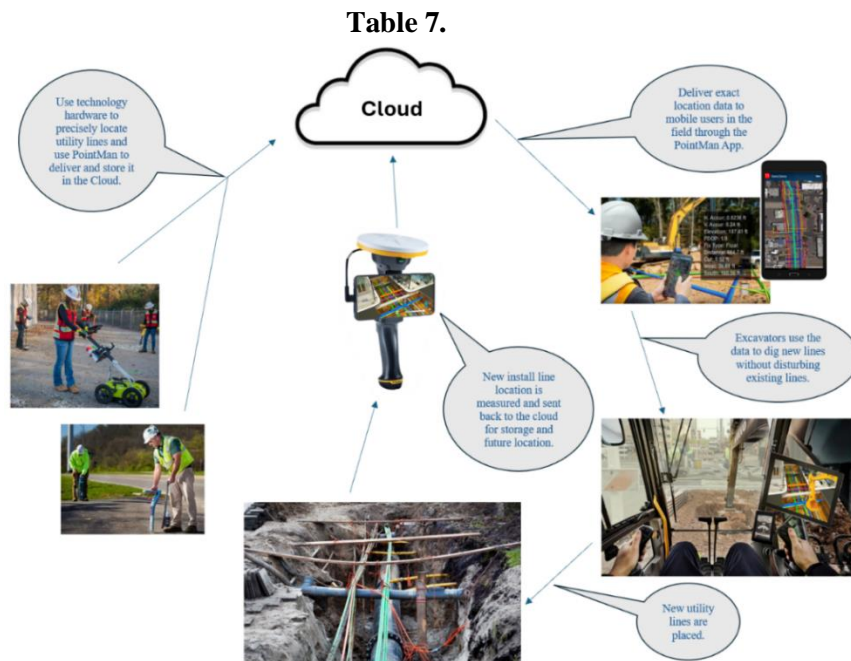


Revisiting the collaboration issue (or lack thereof), from the 10,000-foot view, there are probably very few issues regarding anything that cannot be helped with better communication and better collaboration. Unfortunately, sometimes, the lack of either or both boils down to practicality more than it does to people just stubbornly refusing to embrace them. For instance, **Table 3** above indicates that 24% of the time, the “root cause” of the utility strike is a “No Locate Request”. In other words, the contractor or excavator failed to call 811 before they started digging. In general, we suspect that statistic is likely skewed away from contractors or excavators and likely toward homeowners. In other words, our guess would be that many of the No Locate Request incidents that occur are likely initiated by homeowners digging around their own

backyards. If we are correct about that, then from a commercial perspective (digging done by contractors/excavators on commercial projects) the lion’s share of the causes of utility strikes are either location errors (locators failed to identify the correct location of buried utilities causing excavators to dig in in the wrong place) or excavator errors (locators identified the correct place for excavators to dig, and excavators failed to use proper care around those designated areas). There are likely many instances where the line between which of these is the reality is not clear. That said, there are certainly instances where excavators do not use proper care or protocols and as a result cause utility strikes. The fact is, regardless of what 811, better communication/collaboration, or Prostar and its location technology partners do to improve location processes, bad excavators will still cause utility strikes. However, in our view, solving the equation for more accurate location could eliminate a significant portion of the identified causes on the face, but also provide a basis for better training and processes by excavators by better illuminating the instances where they are the responsible party. Improving location services will almost certainly reduce the frequency and costs of subsurface accidents. That brings us to our next point.

In our discussions with industry experts, it is clear to us that the industry requires better location technology to provide pinpoint accuracy regarding the location of utility assets if the goal is to eliminate the accidents. Absent that accurate data, the industry sometimes finds itself in a “garbage-in-garbage-out” data loop. For instance, hypothetically a contractor may be installing a new utility line in or around an existing state highway. Before they start the project, they will need appropriate permits, which would include a plan reflecting where the line will be placed. That plan may ultimately become the record of where that line lies. However, if the contractor must modify the actual placement of the line because of some sort of impediment, then the original filed document/record will be inaccurate, which, absent the use of some sort of geospatial technology to re-locate the line, will almost certainly make a future locate relying on the original permitted information wrong.

On the other hand, if the contractor used some of the hardware listed above in **Table 6** in conjunction with PointMan®, they could first locate the existing utilities and save the data to the cloud allowing the excavator to access it on site and avoid damages. Further, *as the new line is installed*, that location can be recorded as well, ensuring the pinpoint accuracy of future locates and projects. That is the process that has led to CDOT’s mandating the use of PointMan® and we suspect it is also why Kiewit has adopted the platform. **Table 7** below provides a visual of the PointMan® process.



The above provides an overview of the functionality of ProStar’s platform and how it may be able to make an outsized contribution to the mitigation of subsurface utility strikes. However, we think it is worth considering the respective and more granular value propositions that PointMan® provides to their two major reference customers, CDOT and Kiewit, and why that may be topical to other similar stakeholders.

As we have established, there are hundreds of stakeholders in the SUS universe, and while logic might dictate that *all of them* should be concerned about these incidents, it appears to us that some are certainly more concerned than others, and there may be cogent reasons for some of that too. Most notably, we think contractors and/or their subcontractors, including excavators, locators and perhaps engineers are in the crosshairs of the problem. We would suggest that anytime there is a SUS the excavators and locators (and/or the general contractors who hired them) are where the responsibility buck stops. We think the Company’s current customer list (**Table 8**) may support that view:

Table 8.



The above may explain why utility companies that own most of the assets that are being disrupted are less interested in solving the problem. That is, when *someone else* damages their assets, they expect the responsible party to fix it (and pay for the repairs) immediately. That is, in general, they view avoiding damage to their assets as someone else’s problem, and that may prove true much of the time. We have no statistics or documentation to prove the point, but we suspect that most of the time when a contractor damages a telecom’s underground fiber, they fix it, and outside of dealing with their customers’ complaints, they will be no worse off. On the other hand, we could envision a utility laying a new asset being liable when their contractor causes some damage to *another* utilities assets. Here again, we are assuming that is a potential liability, which would suggest to us that it might be reasonable for utilities to require their contractors to use technology to mitigate strikes to others. In a more extreme hypothetical, if a telecom is laying fiber and their contractor breaks a natural gas line blowing up three city blocks and killing a handful of people, we suspect they will face some litigation or other associated risks. We will revisit that point in a moment, but suffice it to say, one would think they would try to avoid that if possible. Absent some sort of mandates, our view is that the sale of PointMan® to utilities may continue to be challenging.

Setting aside the utilities, we believe government stakeholders (states, counties, municipalities water districts etc.) may also be highly motivated to address and avoid SUS incidents. We think the Colorado

Department of Transportation's collaboration in and subsequent mandating of PointMan® supports that view and there are other elements to the argument that make us believe it is the case. For instance, government highway/road projects are among some of the largest construction projects across the country and at any given time. Moreover, those transportation corridors also happen to include large utility corridors. Further, the utilities that run towns and cities are buried underneath them, and the denser the population, the denser and more complex the utility infrastructure. While we cannot find specific data to back up this claim, intuitively, we think it is denser the utility "grid" with a given square mile, the greater the chance that an SUS will occur. When we combine the notions that governments are the customer in most of the largest road constructions projects, they own/control the rights-of-way that many utility assets utilize to traverse the country and they are responsible for the towns, cities and counties that sit on top of the densest utility networks in existence, we would suggest that these jurisdictions are constituents in a large portion of every subsurface utility strike that occurs either as the installing utility (typically water and sewer) or as a right-of-way participant (along a state highway or within a township).

Given these various government entities' stakes in the collective underground utility footprint, our view is that they represent (along with excavators and location companies), ProStar's most favorable opportunity for adoption. Their relationship with the Colorado Department of Transportation probably underscores that notion. As we alluded to above, we believe the PointMan® platform was developed with meaningful input from CDOT and *that* (as we understand it) has contributed to CDOT mandating the use of PointMan® in any project the state is funding and/or involves a state granted right-of-way. Again, we think government jurisdictions are fertile ground for PointMan®, and there are a handful of reasons we believe that.

Referring back to **Table 2** above, notice that water/sewer work accounted for 26% of strikes to telecom assets and 27% to of strikes to natural gas lines. That math suggests the roughly 20% of strike incidents are related to water/sewer projects that in turn only experience 5% of strike incidents. As a result, the government entities/jurisdictions that are responsible for those water assets, are also responsible for roughly 1 in 5 of all strikes. However, unlike some of the other stakeholders, at least some of those government entities use their own personnel to address these projects, which means they may or may not have a contractor to hold responsible for the damage. For instance, a city water crew breaking a gas line while trying to fix a broken city water main. Contractor or not, the government jurisdictions will ultimately be where the buck stops in terms of responsibility, so, much like contractors, excavator and locators, they have a clear economic interest in avoiding utility strikes caused on *their* projects. Further, certainly some of these jurisdictions face financial constraints wherein the unanticipated costs of fixing one of these accidents could be dire. Moreover, unlike some other utility stakeholders, these government entities may not be able to price in and/or pass on the costs of accidents to their customers.

In other instances, government projects will almost certainly have a general contractor, but may still involve liability for utility strikes on those projects. For instance, a large state highway project would likely involve a large general contractor (Kiewit for instance), but if a gas line gets damaged, in turn causing other collateral damage, the state may certainly have some liability. Again, we think there are clear economic incentives for government to avoid utility strikes.

Beyond economic damages, we think government jurisdictions may be more concerned about the optics of utility strikes than some of the other SUS stakeholders. Recall, in a different but we think similar instance, the train derailment and subsequent explosion in East Palestine Ohio occurred approximately 1 year ago. While certainly the responsible party (Norfolk Southern) was the subject of considerable scrutiny, the state and federal government(s) were also scrutinized in terms of both their efforts to restore the damage, but also their role (or lack thereof) in preventing it in the first place. Again, our view is that government entities endure scrutiny from high profile utility strikes *even when they are not directly responsible for them*. If a gas line breach shuts down I-70 through Denver and people cannot get to work, citizens are going to look to CDOT for answers. If a water main is broken in downtown Denver and citizens cannot take a shower,

they are going to be asking the mayor how that happened even if the damage was caused by an excavator dropping new telecom fiber.

Along with our view that government entities may have more incentives than others, both economic and otherwise to mitigate utility strikes, we also think they are in the best position to persuade (force) better communication and collaboration amongst stakeholders, and that includes the use of technology to create central accessible databases of accurate location information. As we alluded to above, we believe some of government's reluctance to use their position to drive adoption of better location technologies may be related to the absence of a turnkey, ubiquitous, hardware agnostic platform that provides *better location technology*. In our view, PointMan® may represent one of the major missing pieces to that turnkey approach and ProStar's arrangement with CDOT, and CDOT's subsequent mandating of the platform in instances where the state of Colorado exercises jurisdiction supports that notion. Moreover, as we also touched on, we think PointMan's functionality as a true *turnkey, ubiquitous, hardware agnostic platform* is relatively new to the marketplace, so our expectation is that adoption of PointMan® among government stakeholders may be poised to accelerate. That sort of adoption would in turn drive greater adoption by non-government stakeholders.

Lastly, where applicable, we typically try to provide some insights into the total addressable markets ("TAM") in our Industry Overviews. That is more straight forward in some cases than in others. In the case of ProStar, we have delineated several stakeholder constituents that could become potential customers and while we have also provided some of our own views about which of those stakeholders we think are more likely to become customers than others, they have many potential targets. Below are some bullet points regarding some of those potential groups. We would add, as we cover in the Operating Overview below, we believe that if they penetrate even a very small portion of the TAM (as delineated by the bullet points below), they could be quite successful.


- MarketsandMarkets, estimate that *"the utility locator market is projected to grow from USD 833 million in 2022 to USD 1,109 million by 2027"*. [Market Dynamics · Market In Apac To Grow... · Scope Of The Report](#)
- According to Mosaic, *"there are 138,685 Engineering Services businesses in the U.S."*. [30 of the Largest US Construction Companies to Watch in 2022 \(mosaicapp.com\)](#)
- Dun & Bradstreet, indicates that there are *"1.5 million construction companies in the country ranging from small family operations to multi-billion corporations with global footprints"*. [Find Construction Companies in United States of America - Dun & Bradstreet \(dnb.com\)](#).
- Dun & Bradstreet, also estimates that there are over 36,000 highway, street, and bridge construction companies in the U.S. [Find Highway, Street, and Bridge Construction Companies in United States of America - Dun & Bradstreet \(dnb.com\)](#)
- There are 50 states in the U.S. each with their own departments of transportation. In addition, according to the Census Bureau, there are 3,140 counties in U.S. as well as 780 cities with over 50,000 citizens, and 325 cities with over 100,000 citizens.
- The US Environmental Protection Agency ("EPA") estimates that there are over 148,000 public water systems in the U.S. [Information about Public Water Systems | US EPA](#)
- According to Statista there are around 3,000 electric utility companies in the U.S. [Electric utilities in the U.S. - statistics & facts | Statista](#) .

Operating Overview

We submit, when we consider ProStar’s relationships with CDOT and Kiewit, along with the customer base reflected in **Table 8**, it seems that the Company’s top line should be more robust. We have some observations in that regard.

Aside from the high margins, one of the benefits of a SaaS model is that assuming the product does what it is supposed to do, the revenues are recurring and often sticky. We believe the nature of PointMan® as a platform for storing and retrieving data for both current and future use will prove sticky and, by extension, recurring well into the future. That noted, companies with SaaS models like ProStar that utilize an annual “seat” license, are always cognizant of pricing and overall costs to their customers. Today ProStar offers two specific products, PointMan-Plus and PointMan-Pro as well as an enterprise version of the platform. These are differentiated in **Table 9**.

Table 9

PLUS	PRO Starting at: Popular	ENTERPRISE
<p>\$495</p> <p style="font-size: x-small;">user/annually</p> <p style="background-color: #4CAF50; color: white; padding: 5px; text-align: center;">Buy Now</p> <p>Connects to:</p> <ul style="list-style-type: none"> Precision GPS/CNSS Units EM Locate Tools Ground Penetrating Radar <p style="background-color: #4CAF50; color: white; padding: 5px; text-align: center; margin-top: 10px;">MOBILE ONLY</p> <p style="font-size: x-small;">Great for individuals looking to collect the precise location of utility infrastructure.</p> <hr/> <p style="font-size: x-small;">Supports PDFs out in the Field Attach Photos and Forms to any Feature Configurable Data Dictionary Stakeout for Points and Lines Export Multiple Format - KML,KMZ,SHP,CSV Geoid Support Real-time Datum Translations</p> <p style="font-size: x-small;">Full List of Features</p> <p style="text-align: center; margin-top: 10px;">Learn More</p>	<p>\$995</p> <p style="font-size: x-small;">user/annually + \$500 implementation fee</p> <p style="background-color: #2196F3; color: white; padding: 5px; text-align: center;">Buy Now</p> <p>Includes:</p> <ul style="list-style-type: none"> 1 Collector License Cloud Services Unlimited Data Storage <p style="background-color: #2196F3; color: white; padding: 5px; text-align: center; margin-top: 10px;">MOBILE & CLOUD</p> <p style="font-size: x-small;">Ideal for small organizations looking for precision and the ability to share data seamlessly and instantly between the office and the field.</p> <hr/> <p style="font-size: x-small;">Includes PLUS features and: Unlimited Projects and Data Collection Native Cloud Service Site Calibration Incremental Backups & Activity logs Leaders & Labels Import Shapefiles</p> <p style="font-size: x-small;">Full List of Features</p> <p style="text-align: center; margin-top: 10px;">Learn More</p>	<p>Call for Pricing</p> <p style="background-color: #FF9800; color: white; padding: 5px; text-align: center;">Contact Sales</p> <p>Perfect for:</p> <ul style="list-style-type: none"> Large Business Operations Government Agencies Non-Profits Educational Institutions Municipalities <p style="background-color: #FF9800; color: white; padding: 5px; text-align: center; margin-top: 10px;">MOBILE & CLOUD</p> <p style="font-size: x-small;">PointMan is a powerful and flexible software application designed to help organizations of all sizes. Contact our sales team to discuss special pricing opportunities to fit your needs.</p> <div style="text-align: center; margin-top: 20px;">  </div>

PointMan-Plus is applicable to customers looking to precision locate assets and store those locations on their own systems (as opposed to sharing them with others or being able to access the asset locations of others). As an example, we believe the Company has sold this product to a college, a zoo, and before long golf courses that will use PointMan-Plus to locate and keep track of their sprinkler systems and other underground utilities. In that case PointMan-Plus is ideal for their needs because the only assets they are concerned with are those located on their property. PointMan-Plus is essentially PointMan-“Lite”.

PointMan-Pro is the version of the product with the functionality we have covered throughout this report and we think it is fair to say this is the focus of their marketing efforts. Further, we believe they “bundle” this product and offer it to enterprises including large companies and government entities. The Company does not share much information about what the pricing of these enterprise sales look like, and we suspect that is a bit fluid. Moreover, we think some of the initial enterprise customers like CDOT and Kiewit likely have favorable pricing given their reference customer status, as well as given the collaboration they have provided. Going forward, we expect the Company to (continue to) market heavily to other state departments of transportation, and we believe they have generated a pipeline of potential customers in that regard.

Clearly, if they could get other states on board and get them to mandate the product for state projects and/or state right-of-way projects much like Colorado did, that would be a watershed for the company.

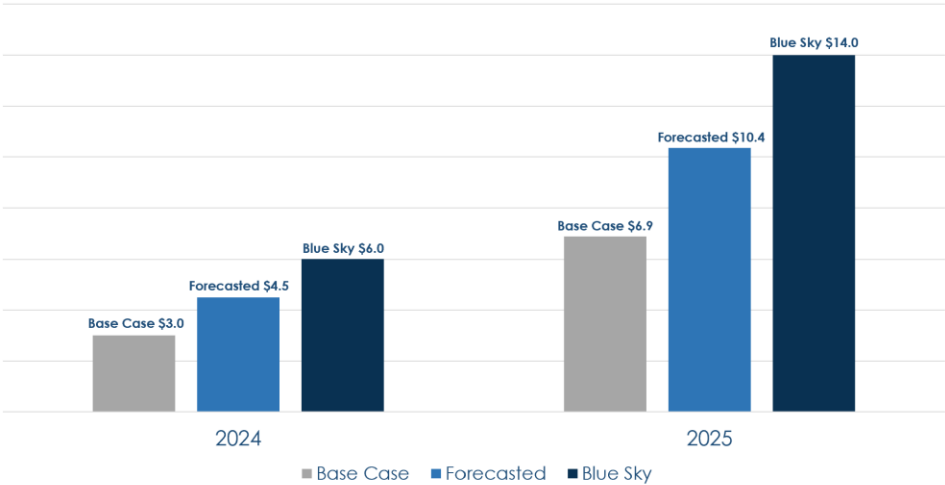
In addition to the above product profiles, the Company recently added an online “store” which allows potential customers to familiarize themselves with PointMan® and make inquiries into the purchase of the product. We think that is topical because prior customer outreach had to be initiated via in-house sales calls or other referrals. While the store is too nascent to judge its contribution to sales, the Company indicates that it has been effective in generating sales leads and identifying potential new customers.

In addition to the above pricing, there is another element to their SaaS model that requires some attention. As we understand it, the Company generally collects its annual fee upfront, which in turn leads to revenue being recognized in equal portions over the term of the license (typically one year). As a result, the opening accounting is to debit cash and credit a deferred revenue (liability) and then recognize (credit) revenue in 12 monthly amounts and reduce the liability as the offsetting debit. **That being the case, the analysis needs to include some attention to relative changes in collected cash and the deferred revenue line item.** To that end we would add, as we alluded to above, we think the period between 2018 and 2020 included much of the Company’s platform collaboration with CDOT and Kiewit. Of course, the period immediately following that was dominated by the pandemic, and thereafter (2022) was the initial launch of the commercialization of PointMan®. Further, we think some of the prior period revenues were related to non-software items (enterprise set-up and/or training fees etc.) so prior period comps may not indicate the likely results of the SaaS dominated revenues we suspect the future will include.

In terms of our revenue modeling, given the marked lack of visibility at this point, we have modeled around the Company’s guidance which is provided in **Table 10**. We have also incorporated some of the information they have provided in **Table 11** regarding the momentum of the sales pipeline. For reference, considering the product pricing provided in Table 9, it looks like the Company is expecting to attract something close to 1,000 customer seats through F2024. Again, for reference, as our operating expense narrative below suggests, we think cash and earnings breakeven should be somewhere in that same ballpark (1,000 customers and/or \$5 million in annual revenues). Further, as we understand it, their “typical” cloud (or Pro) customer purchases between 5 and 10 seats annually.

Table 10.

☰ TOTAL ARR & NEW BUSINESS FORECAST (USD mlns)



Our low churn results in sticky annual renewal revenue.

Table 11.

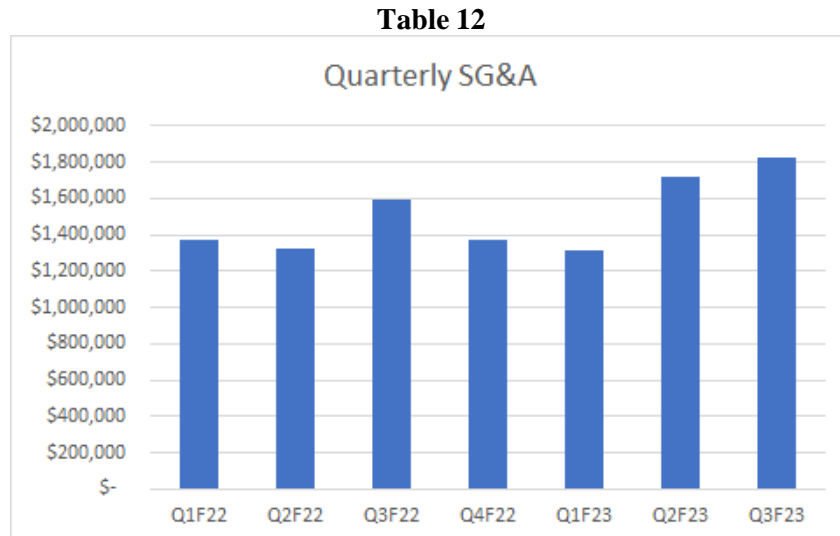
	Sales 2023					
	SDR Generated Calls and Emails	Disco	Demo	Quotes	Deals	Demos to Deals
q1	7,713	50	16	7	5	31%
q2	17,973	74	36	19	6	17%
q3	32,153	190	88	53	19	22%
q4	35,000	200	100	60	25	25%
2023	92,839	514	240	139	55	

3 Sales Development Reps and 2 Senior Sales Executives in **2023**

5 Sales Developments Reps and 4 Sales Executives in **2024**

For the first 3 quarters of F2023, ProStar’s gross margins have approximated 82%. That is typical for SaaS model margins, but we expect those margins to improve substantially as revenues (especially recurring revenues) scale.

Table 12 below reflects the levels of quarterly SG&A for the past seven quarters:



To reiterate, our view is that ProStar’s entree into the commercialization of PointMan® probably began in earnest towards the end of F2022 and into F2023. As a result, it is difficult to compare SG&A levels during a pre-commercialization and final product development stage, versus the commercialization stage. We do not have good visibility in that regard. However, as we will discuss further below, because of the Company’s unprofitable status and associated cash burn, coupled with a difficult environment for small public companies trying to raise capital, we believe the Company will attempt to reduce SG&A levels to mitigate dilution and drive down breakeven. That has been our (high-level) discussion with management, but again, inasmuch as we have attempted to model this, we do not have good visibility on where SG&A will land for F2024 vs. F2023 other than to say we think it will be lower, and perhaps low enough to support

our prior notion about a potential \$5 million breakeven threshold. Obviously, driving down SG&A in the face of trying to maintain the sales momentum indicated in **Table 11** will be challenging.

As our model and the Company's guidance suggest, we are expecting F2024 to be transformative in terms of revenue traction, cash flow and ultimately profitability. For small emerging companies that are not profitable, transitioning to sustainable positive cash flow sooner rather than later is a marked milestone. Absent visibility to that end adds marked risk to the story. As of the most recent 3QF23 reporting period (ended September 30, 2023), The Company had cash on hand of USD\$1.31 million. Further the Cash Flow Statement through September 30, 2023 reflected a 9 month cash burn of \$3.42 million or about \$1.14 million per quarter, so we suspect they ended F2023 with limited cash on hand. To that end, on January 17, 2024, the Company announced the proposed sale of "a non-brokered private placement of convertible debentures of the Company (each, a "Convertible Debenture") in the principal amount of up to US\$3,000,000". Further:

"Each Convertible Debenture will bear interest at a rate of 10% per annum, calculated and compounding annually, and mature four (4) years following the date of issuance (the "Maturity Date"). The principal amount of each Convertible Debenture (the "Principal Amount") will be convertible into units of the Company (each a "Unit") at a conversion price of C\$0.30 per Unit (the "Conversion Price") at the option of the holder of a Convertible Debenture ("Debenture Holder") at any time prior to the Maturity Date".

"Each Unit will be comprised of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each full Warrant will entitle the holder thereof to purchase one common share of the Company (a "Warrant Share") at a price of C\$0.30 per Common Share for a period of twelve (12) months from the date of issuance thereof (the "Warrant Expiry Date"). If at any time prior to the Warrant Expiry Date, the ten (10) day daily moving average, being the average closing price of the Common Shares on the TSX Venture Exchange (the "TSXV") for a period of ten (10) consecutive trading days, is greater than C\$0.40 per Common Share, as adjusted in accordance with the terms of the certificate representing the Warrants (the "Warrant Certificates"), the Company may, at its option, accelerate the Warrant Expiry Date to the date that is 30 days following the written notice to the holders of the Warrants, in the form of a press release or other form of notice permitted by the Warrant Certificates".

Raising this \$3 million, or at least a meaningful portion of it, would be a highly constructive outcome for the Company, as it will allow them to continue their commercialization push ostensibly increasing the chances of their achieving the forecast and reaching positive cash flow sometime through F2024. That would be a transformational event for the Company, and in our view a fundamental valuation catalyst. Our model assumes the completion of the funding and the ultimate dilutive impact of the conversion of these debentures.

Management Overview

- Page Tucker – Chief Executive Officer & President

Page Tucker has an extensive background in technology start-ups, including development, marketing, recruiting, capital financing and executive management. Page first became known as a technology visionary in the automotive industry for combining data mining and predictive modeling with geographic information systems. Page was the founder of Impact Solutions, Inc., a Silicon Valley based company he formed to provide state-of-the-art digital mapping and customer acquisition solutions to the automotive

industry. Page reorganized Impact Solutions and formed e-autobusiness, the pioneer in the development of a web-based CRM solution that provided services to well over 900 dealerships throughout the United States before being acquired. Page went on to author 13 patents based on geospatial, mobile and cloud technologies including the methods for capturing, recording and displaying the precise location of buried infrastructure and in 2014 founded ProStar®. In 2016 the Colorado Technology Association named him Entrepreneur of the Year for his efforts and innovations in the development of ProStar's Precision Mapping Solutions®. Today, Page continues to serve as the company's CEO and President.

- **Louis Suchy – Chief Technology Officer**

Louis Suchy is a visionary and technology leader who excels in developing and executing strategic initiatives that drive innovation and cutting-edge solutions that propel businesses into the future. Louis has over 20 years of experience in the technology sector in diverse industries, including Education, Information Security, and Life Sciences. Prior to joining ProStar, Louis held key leadership positions at several technology companies, including Kaplan, Prolexic, and Akamai, where he spearheaded successful projects that disrupted markets and drove business expansion. Louis also serves as Allure Security's product and technology advisor and holds an MBA. Outside of work, Louis enjoys Golf, Travel, and is an aspiring BBQ pitmaster. lsuchy@prostarcorp.com

- **Johnathan Richards – Chief Financial Officer**

Mr. Richards has over a decade of public company-focused accounting and finance experience. He has accumulated extensive experience with Toronto Stock Exchange and venture-listed companies, as well as numerous private companies all over the world. His professional experience has included officer and director positions on the TSX and TSXV; experience in various debt and equity financings; implementation of ERP systems; managing domestic and international tax planning strategies; and implementation of corporate governance and internal control policies. Mr. Richards holds a bachelor's degree in management studies with first-class honors from the University of Waikato, New Zealand, started his career at KPMG in the audit and assurance division, and is a member of the Chartered Professional Accountants of British Columbia as well as Chartered Accountants of Australia and New Zealand.

- **Joel Sutherland – VP Corporate Development and Investor Relations**

Joel Sutherland CPA CFA has two decades of Wall Street experience including working at Merrill Lynch as both a Securities Analyst and an Institutional Sales role. Post Bank of America/Merrill Lynch Joel worked for almost 10 years at two Canadian Banks in the Institutional sales role. Graduated from Queen's University with a degree in Economics and went on to pursue his CPA with PricewaterhouseCoopers. jsutherland@prostarcorp.com

- **Matthew Breman – VP of Marketing**

Matthew Breman is a results-proven leader with over 25 years of marketing and communication experience. Specializing in delivering new products and ideas to market with a very experiential and customer-centric delivery, he has helped a broad range of brands including, MTV / Nickelodeon, Disney Resorts, and Microsoft succeed. While the head of Cranium 360, he moved the company from start-up to a national award-winning marketing agency. He has worked closely with great clients and brands such as Johns Manville, Enstrom's Toffee (if you have ever tasted it, you would understand), national franchisors, banks, and hospitals. Matthew's experience, across a wide variety of clients, includes successfully bringing new

products to market in industrial manufacturing, medical technologies, professional services, health, and beauty.

He earned his BA from the University of South Florida and his MBA from Rollins College. His civic involvement includes leadership position in the Grand Junction Chamber of Commerce, United Way of Mesa County, and most recently as an elected City Council Member for Fruita, Colorado. mbreman@prostarcorp.com.

- **Patrick Clawson — Sales & Marketing**

Patrick Clawson is the former CEO of companies such as Terbium Labs, Blancco Technology Group (BLTG.L). Clawson served as Chairman and CEO of Lumension Security. He was also previously Chairman and CEO of CyberGuard Corporation (NASDAQ: CGFW), a security software company he successfully grew and positioned for acquisition by Secure Computing (NASDAQ: SCUR) for \$295 million. Clawson brings more than 20 years of software industry experience and has a successful track record of running high tech companies. Clawson has extensive experience in both domestic and international sales, marketing, and operations with companies in the information security segment. During his career, Clawson has developed and implemented a multiple global distribution strategies that catapulted dozens of companies to record breaking revenue growth and profitability. He also spearheaded the launch of new technologies into the marketplace and oversaw the integration of more than fifteen acquisitions. Clawson's background is revenue growth and strategic planning.

- **Kevin Koch – Senior Director of Mobile Solutions**

Kevin Koch has been involved in software development for over 15 years and has provided services to meet a broad range of requirements. From addressing application needs of global Fortune 500 companies to conceptual functions of the small start-up, Kevin's vast experience in developing products covers the full software lifecycle of technology products into the global market place. Kevin provides extensive experience in mobile application development, including the Google Android OS platform. Prior to joining ProStar, Kevin was Senior Director of Technology for Thomson Reuters where he managed a large business unit responsible for all aspects of software development, web development, quality assurance, technical writing, project management and IT. While at Thomson Reuters, Kevin managed and rapidly scaled the group and was responsible for delivering innovative mobile, desktop and web-based applications. Under Kevin's leadership the group delivered their fully featured flagship product 'Case Notebook' from inception to stable mature product. Many of Kevin's innovative solutions have been instrumental in the creation of IP portfolios, including both pending and issued patents. Kevin enjoys working on both backend systems as well as client facing user interfaces; from desktop software, to websites and services, to mobile devices and he is fluent in many computer languages that includes C++, C#, C, Java, JavaScript, Ruby, Perl, VB, SQL, ASP.NET, and PHP. kkoch@prostarcorp.com

Risks and Caveats

We believe that ProStar has developed a robust platform that addresses marked pain points in a major industry and amongst that industry's largest stakeholders. Despite that posture, the Company still faces several risks that could keep it from succeeding and/or make that path significantly more difficult and lengthier than some might anticipate or hope.

While ProStar continues to make technological, business and financial progress, they are unprofitable. As a result, the Company is currently raising capital through a convertible debt offering. If that raise is unsuccessful it could create marked liquidity/working capital challenges that could markedly impair the business and associated opportunities. Further the Company has provided some revenue guidance which we have relied on to in turn estimate their future cash flow, future associated financing requirements and their resulting valuation. That guidance could prove inaccurate, which, even if the current raise is successful could create additional liquidity problems in the future.

For small emerging companies, revenue and earnings visibility is often poor and ProStar is no exception at this stage. In short, these days the financial markets place marked premiums on visibility (which explains our current inverted yield curve) so in contrast, a lack of visibility generally leads to associated valuation headwinds until visibility improves.

We have suggested that there are many thousands of stakeholders in the SUS universe that would likely benefit from better location technologies and processes. Unfortunately, there are many of those that do not seem to have the same urgency with respect to solving the problem as others. We believe the Company's critical path is probably in medium to large construction companies as well as government entities, notably states and large municipalities. The good news in that regard is that the Company has managed to attract a notable reference customer in each of those categories. That said, we can attest from experience with other coverage names that small companies dealing with government entities and/or large companies face significant headwinds with each and often for different reasons. At a minimum, these types of customers typically require lengthy and arduous sales cycles. While ProStar does have the benefit of established reference customers in each group and we know that they are already into the process with at least some others in each as well, cracking the code into these types of customers is likely to remain challenging.

A portion of our thesis here is that construction as well as the expansion of utility infrastructure are likely to continue to grow, and that notion is bolstered by the Federal government's recent infrastructure legislation. If that is the case, as we illustrated above in **Table 1** SUS damages will likely grow along with them, and ostensibly so will the desire, at least by some, to mitigate them. However, that growth could be impeded by a slowing economic environment. Further, in that sort of environment, companies may be less likely in general to commit to new capital expenditures that may include software solutions like PointMan®.

Another portion of our thesis is that PointMan® provides a missing piece to some the weaknesses in the current systems/protocols/approaches to preventing utility strikes. As an extension, we think the value it adds is compelling enough that it will ultimately gain traction and meaningful adoption. We may be wrong about the value it provides and as a result the traction it will achieve. Further, it is often difficult to get companies (much less an entire industry) to embrace change, even if it would be beneficial. That is, PointMan® may in fact provide *all the added value we suspect*, and it still may fail to achieve meaningful adoption.

There are many companies on the technology side of the utility location industry. Fortunately, those listed in **Table 6** are partners of ProStar's. There are others that to our knowledge are not. The Company believes they are the only enterprise they know of that provides the functionality of PointMan®, and we submit from our analysis, some of the partners in **Table 6** are robust companies, which may help to validate ProStar's view about the competition (or lack thereof). However, while we, or ProStar for that matter, are not aware of other competitors, that does not mean they do not exist either today or on the horizon. There are most certainly many capable technology companies or perhaps other companies with tribal knowledge of the utility location business with the resources to develop competing products.

Currently, the Company relies on a small number of people to operate the business. That posture carries obvious risks with respect to the performance and continued employment of those individuals.

ProStar's shares are thinly traded and generally illiquid and that may be the case for the foreseeable future. Those characteristics may involve additional risks beyond those associated with equities in general.

These are just a few of the more visible risks associated with ProStar. There are likely others we have missed and/or are others that may not be apparent at this time.

Summary and Conclusion

Maybe it's just us, but the statistic we noted above regarding the annual number of unique subsurface utility strikes (between **200,000+ and 400,000+ reported damages**, depending on who you ask and when you ask them), is staggering. Keep in mind, that number includes only those incidents that were reported, which means that the actual number was likely markedly higher. Further, industry estimates that the direct and indirect economic costs of those incidents are between **\$50 billion and \$100 billion annually** are in our view even more incredible. Moreover, as we also covered in this report, the situation appears to be getting worse.

There are several groups of stakeholders that subsurface utility strikes ("SUS") impact, and these include utility companies with **20 million miles** of underground facilities across the U.S. They also include states, counties, and other government entities that own and operate utilities such as sewer and water systems, but also control easements that contain many of these utility assets in cities and towns as well as along transportation corridors such as federal, state and counties highways and roads. Further, a myriad of companies that develop, install, manage and replace these utilities in conjunction with construction and other projects that impact these assets are also stakeholders. These companies include engineers, contractors, excavators, utility locators and others. Moreover, perhaps the largest collective group of stakeholders are the consumers who depend on these utilities and the citizens who live within areas or travel along the corridors that hold these utilities.

While there are many stakeholders affected by SUS events, the problem seems to be more acute for some than for others and perhaps for different reasons. For instance, contractors, excavators and locators, are often directly involved in the damage, so they are often held responsible for the cost related to fixing it. These stakeholders have a clear economic incentive to prevent these incidents. In addition, government-based utilities like water/sewer districts are also involved in damaging the assets of others as they are trying to install or maintain their own assets. Further, when damage in cities or along highways negatively impact citizens, the governors, transportation department heads and mayors hear about it, regardless of who was ultimately responsible. From another perspective, government officials are charged with trying to protect the public from catastrophic events, and some utility strikes can be (have been) catastrophic.

While we believe ProStar's TAM includes most of the stakeholders we have noted, we believe the Company's best opportunities may be among these constituents that seem to be impacted the most by adverse strike events, namely, contractors, locators and government. That noted, the Company has an agreement with the Colorado Department of Transportation ("CDOT") that requires the use of ProStar's PointMan® platform across any project that involves CDOT. In addition, the Company has also established a deep relationship with Kiewit Corporation, one of the nation's largest road construction companies, which as we understand it, is using PointMan® on over a dozen of their projects. We believe these reference customers will help drive adoption by similar entities/enterprises. Along those same lines, we believe CDOT and Kiewit have provided important insights into the development of PointMan® as it exists today, and while ProStar has been generating revenue for a few years, we think the commercialization of the finished PointMan platform in earnest, commenced in 2023 and the pipeline has been accelerating since that launch. As a result, we project favorable YoY and sequential results through 2024 and through 2025 as well as profitability therein.

We believe PointMan® includes several attributes that provide value to users. These attributes include interfaces and agreements with many/most of the major providers of utility location hardware. We believe that hardware agnostic posture is paramount to their comparative advantage and/or success. Also, PointMan® is cloud-based which facilitates some of its other attributes including data storage and retrieval, mobility, and information collaboration among constituents with (previously) siloed data. We also believe the Company's SaaS approach makes the platform quite affordable with demonstrable ROI characteristics. We would add, regarding ROI, there are numerous studies from various groups that suggest the ROI of technology-based SUS solutions in terms avoiding the costs of fixing strike damage, avoiding costly constructions delays and penalties, and a host of others is considerable.

While we note that solving the SUS problem seems to be more of a priority to some stakeholders than to others, industry surveys indicate that stakeholders collectively believe that the industry needs better communication and collaboration to solve the problem. In short, the PointMan® solution is an affordable intuitive, mobile, scalable and ubiquitous technology-based solution to that communication/collaboration dilemma.

Lastly, the addressable market for PointMan® in terms of the total number of stakeholders (both domestically and internationally) is likely **100's of thousands of potential licenses**. In addition, PointMan's SaaS offering **provides 90+% margins**. Combining those two characteristics, ProStar does not have to capture much of the addressable market to be successful. Specifically, we think breakeven is between 4,000 and 5,000 total customer seats, which probably means between 350 and 700 unique customers depending on the size of each customer and product mix. That said, we think there is a plausible outcome that involves a growing number of states mandating PointMan® for projects they oversee or involve their rights-of-way, much likely Colorado has done. In our view, **that sort of widespread adoption amongst states would provide the basis for extraordinary valuation catalysts for the underlying shares**.

We are initiating coverage of ProStar with an allocation of 4 and a 12-24 month price target of \$.42. We will reassess our targets and conclusions as additional data points and visibility emerge.

Projected Operating Model

ProStar Holdings, Inc.										
Projected Operating Statement										
By: Trickle Research										
	(Actual)	(Actual)	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	Fiscal 2023	3/31/2024	6/30/2024	9/30/2024	12/31/2024	Fiscal 2024
Revenue:										
Sales	\$ 230,805	\$ 234,439	\$ 225,332	\$ 214,075	\$ 904,651	\$ 343,275	\$ 687,545	\$ 857,939	\$ 1,386,781	\$ 3,275,540
Cost of Sales	\$ 35,099	\$ 50,908	\$ 41,792	\$ 39,124	\$ 166,923	\$ 25,867	\$ 25,313	\$ 27,869	\$ 35,802	\$ 114,851
Gross Margin	\$ 195,706	\$ 183,531	\$ 183,540	\$ 174,951	\$ 737,728	\$ 317,408	\$ 662,232	\$ 830,070	\$ 1,350,980	\$ 3,160,689
Expenses:										
Management	\$ 152,500	\$ 150,000	\$ 206,667	\$ 156,074	\$ 665,241	\$ 146,866	\$ 153,751	\$ 157,159	\$ 167,736	\$ 625,511
Information Technology	\$ 30,564	\$ 30,620	\$ 30,766	\$ 31,074	\$ 123,024	\$ 31,866	\$ 38,751	\$ 42,159	\$ 52,736	\$ 165,511
Product Development	\$ 262,767	\$ 255,983	\$ 295,602	\$ 280,675	\$ 1,095,027	\$ 232,015	\$ 244,064	\$ 250,028	\$ 268,537	\$ 994,644
Sales and marketing	\$ 196,948	\$ 436,349	\$ 248,097	\$ 235,098	\$ 1,116,492	\$ 163,731	\$ 177,502	\$ 184,318	\$ 205,471	\$ 731,022
Consulting	\$ 48,051	\$ 67,019	\$ 76,015	\$ 59,112	\$ 250,197	\$ 51,716	\$ 53,438	\$ 54,290	\$ 56,934	\$ 216,378
Depreciation	\$ 30,964	\$ 29,507	\$ 30,019	\$ 30,052	\$ 120,542	\$ 30,085	\$ 30,118	\$ 30,151	\$ 30,184	\$ 120,539
Foreign Exchange	\$ 1,577	\$ (110)	\$ (14,011)	\$ -	\$ (12,544)	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ 14,426	\$ 5,910	\$ 7,182	\$ 6,786	\$ 34,304	\$ 6,854	\$ 6,922	\$ 6,992	\$ 7,062	\$ 27,829
Investor Relations	\$ 27,107	\$ 31,668	\$ 200,808	\$ 86,789	\$ 346,372	\$ 31,866	\$ 38,751	\$ 42,159	\$ 52,736	\$ 165,511
Office and Miscellaneous	\$ 30,273	\$ 35,392	\$ 39,673	\$ 36,074	\$ 141,412	\$ 28,433	\$ 31,875	\$ 33,579	\$ 38,868	\$ 132,755
Professional Fees	\$ 247,053	\$ 270,080	\$ 313,478	\$ 200,423	\$ 1,031,034	\$ 145,647	\$ 50,313	\$ 52,869	\$ 60,802	\$ 309,631
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	\$ 70,632	\$ 69,314	\$ 70,924	\$ 71,023	\$ 281,893	\$ 61,866	\$ 68,751	\$ 72,159	\$ 82,736	\$ 285,511
Share Based Payments	\$ 83,129	\$ 143,280	\$ 180,644	\$ 100,000	\$ 507,053	\$ 106,866	\$ 113,751	\$ 117,159	\$ 127,736	\$ 465,511
Software Support	\$ 33,932	\$ 49,823	\$ 51,880	\$ 50,186	\$ 185,821	\$ 45,298	\$ 55,626	\$ 60,738	\$ 76,603	\$ 238,266
Transfer Agent and Filing Fees	\$ 13,765	\$ 7,288	\$ 15,007	\$ 12,398	\$ 48,458	\$ 10,149	\$ 15,313	\$ 17,869	\$ 25,802	\$ 69,133
Travel	\$ 69,126	\$ 133,793	\$ 71,436	\$ 65,676	\$ 340,031	\$ 71,866	\$ 78,751	\$ 82,159	\$ 92,736	\$ 325,511
Total Operating Expenses	\$ 1,312,814	\$ 1,715,916	\$ 1,824,187	\$ 1,421,441	\$ 6,274,358	\$ 1,165,121	\$ 1,157,678	\$ 1,203,786	\$ 1,346,677	\$ 4,873,262
Operating Income (Loss)	\$ (1,117,108)	\$ (1,532,385)	\$ (1,640,647)	\$ (1,246,490)	\$ (5,536,630)	\$ (847,713)	\$ (495,446)	\$ (373,717)	\$ 4,303	\$ (1,712,573)
Other Items:										
Interest Income	\$ 11,356	\$ 3,387	\$ 40	\$ -	\$ 14,783	\$ -	\$ -	\$ -	\$ -	\$ -
Finance Costs	\$ (6,641)	\$ (5,985)	\$ (5,196)	\$ -	\$ (17,822)	\$ (56,250)	\$ (56,250)	\$ (56,250)	\$ (56,250)	\$ (225,000)
Other										
Total Other Items	\$ 4,715	\$ (2,598)	\$ (5,156)	\$ -	\$ (3,039)	\$ (56,250)	\$ (56,250)	\$ (56,250)	\$ (56,250)	\$ (225,000)
Net Income (Loss)	\$ (1,112,393)	\$ (1,534,983)	\$ (1,645,803)	\$ (1,246,490)	\$ (5,539,669)	\$ (903,963)	\$ (551,696)	\$ (429,967)	\$ (51,947)	\$ (1,937,573)
Exchange Differences on Transalction of Parent	\$ (14,182)	\$ 1,622	\$ (34,202)	\$ (34,201)	\$ (80,963)	\$ (34,200)	\$ (34,199)	\$ (34,198)	\$ (34,197)	\$ (136,794)
Comprehensive Gain (Loss)	\$ (1,126,575)	\$ (1,533,361)	\$ (1,680,005)	\$ (1,280,691)	\$ (5,620,632)	\$ (938,163)	\$ (585,895)	\$ (464,165)	\$ (86,144)	\$ (2,074,367)
Gain (loss) Per share - Basic	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Gain (loss) Per share - Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Shares Outstanding - Basic	116,860,373	116,861,084	126,023,086	128,876,918	122,155,365	128,876,918	128,876,918	128,876,918	128,876,918	128,876,918
Shares Outstanding - Diluted	116,860,373	116,861,084	126,023,086	131,381,059	122,781,400	128,876,918	128,876,918	129,121,333	132,049,505	129,731,168

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.