Trickle Research

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

Research Update

ProStar™

ProStar Holdings Inc.

(OTC:MAPPF & TSX:MAPS.V)

Report Date: 07/01/24

12- 24 month Price Target: $.42

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 02/05/24): $.1525

Closing Stock Price at This Update (Closing Px: 06/28/24): $.12

Prepared By:
David L. Lavigne
Senior Analyst, Managing Partner
Trickle Research

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.

We initiated coverage of Prostar in February (2024), and there are a handful of elements to the story that have evolved since that initiation that we think are worth noting with respect to the Company's ongoing opportunities. Below is some color on some of the more topical of these items as we see them.

On June 6, 2024, the Company provided a press release regarding the closing of a multi-tranche equity transaction that they have been working on for the past 90 days or so. Here is an excerpt from that release:

> *GRAND JUNCTION, Colo., June 06, 2024 (GLOBE NEWSWIRE) -- (OTCQB: MAPPF) (TSXV: MAPS) (FSE: 5D00) ProStar Holdings Inc. (the "Company" or "ProStar®") a world leader in Precision Mapping Solutions®, is pleased to announce that it has closed the final tranche of its previously announced non-brokered private placement (the "Offering") for gross proceeds of approximately C$1.1 million, through the sale of 6,944,466 units (the "Units") at a price of C$0.16 per Unit (the "Offering Price"). Further to the Company's news releases dated March 13, 2024, March 27, 2024 and May 14, 2024, the Company has raised gross proceeds of approximately C$2.5 million through the sale of 15,689,212 Units in the Offering.*
>
> *Each Unit consists of one common share of the Company (each, a "Common Share", and collectively the "Common Shares") and one Common Share purchase warrant (each whole warrant, a "Warrant" and collectively the "Warrants"). Each Warrant entitles the holder thereof to acquire one common share of the Company (a "Warrant Share") at a price of C$0.22 per Warrant Share for a period of 36 months from the date of issuance thereof, provided that if the closing price of the Common Shares on any Canadian stock exchange on which the Common Shares are then listed is at a price equal to or greater than C$0.30 for a period of ten (10) consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants by issuing a press release or other form of notice permitted by the certificate representing the Warrants, announcing that the Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than 30 days from the date notice is given.*
>
> *The Company will use the proceeds from the Offering for sales, marketing, and working capital requirements. In particular, approximately US$232,000 will be used to reduce the Company's working capital deficit.*

As we have covered in various pieces of research for some time now, for small emerging companies that have not yet advanced their business to the point of consistent positive cash flow, access to ongoing capital, and perhaps more specifically the dilution that goes along with it, is the "elephant in the room". In short, while we will not attempt to quantify this, although we think we could or we would not say it, the period of time from the onset of the pandemic through today, has in our view been *one of* the more difficult capital formation environments for small, emerging, unprofitable companies we can recall over the past 40 years. That is probably a function of a handful of converging notions, some new and some not-so-new, but suffice it to say, it is an extraordinary grind for small companies in that boat. Again, more specifically, the result of those difficulties has been dilution that we have described along the way as "draconian" and "grotesque". To be clear, from the perspective of many legacy shareholders in some of these stories, the dilutive rounds are tantamount to Chapter 11, that is, legacy shareholders money is not technically dead, but its not far from it, and that is not likely to change, even of the company ultimately *succeeds.*

We submit, given that as we sit here today, ProStar is one of those small, emerging, unprofitable companies, this may be a counterintuitive lead in to why we are constructive on ProStar, but bear with us. On the face, the fact that they have raised this money means they will be able to fight another day, and as we will point out, we think there are visible scenarios where this capital *could get them* to or very near the threshold wherein raising money to support burn is behind them. We would add, as the above release also points out, a meaningful portion of this raise was done with Company officers and/or Directors, so we think it is fair to assume that insiders might concur with our sense regarding those "visible scenarios".

On May 14, 2024, ProStar provided a Corporate Update. Below are portions of that update followed by some of our color around each. (We have reconfigured/combined some of the content of the update to avoid redundancies in our comments. Portions excerpted from the release are in *italics*).

Sales and Marketing

We are seeing early indications that our focus on sales and marketing initiatives is gaining momentum. In Q1 2024 we added 22 new cloud customers, up from 14 new cloud customers in Q4 2023, showing sequential quarter over quarter growth of 57%. We expect this trend to continue.

Recall, our initial introduction(s) to ProStar was though their participation in several of our past conferences. The Company was invited to present by our conference Co-Sponsor, so they were not one of *our* typical presenters (companies in our coverage universe). As such, at the time of their first presentation we were new to the story, but our familiarity and interest grew over subsequent presentations. However, as we have opined along the way, we think one of the Company's weaknesses has been its lack of a focused sales and marketing apparatus/program to approach the relevant TAM. That by the way is not a specific critique of management because in retrospect, some of that shortcoming was a function of available resources, but some of it was also related to the fact that until recently, we are not sure the Company's product was robust enough to address a meaningful portion of the TAM. There are some nuances to that comment, but for instance, as we will demonstrate further in this overview, they have added some enhancements and integrations with other industry hardware/systems that we think have been instrumental in approaching the addressable market. In our view, the lack of those things may have hindered (lengthened) the marketing process. In short, we believe their combination of a truly market ready product and a cogent marketing plan to sell it, are just beginning to create meaningful sales momentum.

The introduction of the eStore in January 2024 has streamlined the purchasing experience for ProStar's precision mapping solutions among both customers and distributors, which in turn is driving incremental sales. Notably, the marginal cost for customers acquiring PointMan products through the eStore is nearly zero, significantly reducing customer acquisition costs and enabling the Company's salesforce to concentrate on larger opportunities. We expect the contribution from our e-store, combined with our other sales and marketing initiatives, to continue to drive growth and improve our operations and overall financial performance in 2024.

The new eStore is part of the "cogent marketing plan" we just referenced. Those familiar with the ProStar story will acknowledge that much of the focus around the Company's opportunities have been centered on the potential to attract large utility infrastructure constituents to the platform, which includes for example, state departments of transportation such as their partner Colorado DOT, large private construction companies like their partner Kiewit, and national location providers like Stake Center Locating, which is currently evaluating PointMan®. While the focus on these large organization that can represent dozens and ultimately hundreds of seat licenses from a single customer is understandable, the fact remains the addressable market includes *thousands* of small potential customers engaged in various aspects of the industry. Recognize, most business plans focused on Software-as-a-Service ("Saas") offerings, rise or fall on customer acquisition cost metrics. That is, how much time and money does it cost to acquire a single customer seat? From a practical standpoint, the cost of acquiring a single seat license should improve if you can sell one customer 100 seats rather than 100 customers a single seat. Thus, the focus on large customers. However, having an online platform that provides a portion of the initial marketing process to the "masses" (those thousands of small potential customers we referenced), can vastly improve the customer acquisition cost associated with that segment of the industry. We are not sure how to evaluate the potential of the eStore to drive sales among smaller customers. However, we are comfortable suggesting that absent some sort of online presence, their chances of attracting a meaningful number of these smaller customers was/is negligible, and the customer acquisition costs associated with selling them "one at a time" would almost certainly be prohibitive and beyond the scope of Prostar's resources. We are happy to provide relevant real-life examples of that for anyone would care to inquire.

To be clear, we believe the new store front will provide a resource to introduce potential customers to the value and functionality of PointMan®, but we also think it will prove to be a valuable resource to new and potential distribution partners. For instance, we are aware of some new distributors selling compatible hardware that may use PointMan® functionality to drive the hardware sale. In that case, we think the eStore's accessibility and educative functionality may prove helpful in improving the success of the hardware distributor, while leading to a PointMan® sale as well. Here again, in our view, much like ProStar's new sales/marketing approach in general, the eStore and its potential to generate leads with low customer acquisition costs is in the very early stages of its contribution.

Product Integration and Enhancement

Completed integration with all major hardware providers required for precision utility detection, including TopCon. The integration of PointMan into leading hardware and software systems creates a vast distribution network for ProStar throughout the world.

In addition to completing integration with electromagnetic hardware equipment noted above, we also completed integration with Propeller Aero which extends functionality for drone mapping and geospatial analytics. We are also pleased to announce that PointMan is now compatible with industry-leading CAD platforms including Bentley's MicroStation and Autodesk's AutoCAD.

We expect integration in Q2 2024 with ESRI's cloud-based APIs for ArcGIS, further enhancing PointMan's geospatial data management and analytics for ESRI users. These integrations not only enhance PointMan's operational versatility but also its adaptability across all industry sectors associated with the construction and management of underground infrastructure.

Our strategy is for PointMan to be data input and data output agnostic. By being an information aggregator, the software works with virtually all equipment—and that has outsized value to our customers.

We touched on some of the integration issues above, but these comments provided some new insights we had not heard, and one that we found particularly interesting. Before we get to those, we will expand a bit on the integration issues in general.

First, as we have noted before, the Company has gone to great lengths to create necessary interfaces to PointMan® that would allow it to operate in conjunction ("interface") with the most prevalent pieces of hardware across the industry. That includes devices that detect the location of utilities in the ground, as well as devices that use GPS to identify exact locations and a host of others. For the sake of illustration, **Table 1** below is taken from a slide provided in the Company's most recent deck which reflects several of these major partners. While certainly some of these names may be recognizable to most (3M for instance), others may not be as recognizable, but nonetheless represent the major players in the industry. For instance, Trimble, Inc. (NASDAQ: TRMB) and Radiodetection (a subsidiary of SPX Technologies, Inc. -NYSE: SPXC) are both publicly traded with broad and largely institutional ownership.

Table 1.

PointMan's strategy is to be hardware agnostic: by working with all hardware inputs, we increase the probability of our goal of market share dominance.

In short, we believe these interfaces are paramount to the future success of ProStar largely because we believe that most end users considering PointMan® may already have equipment from various manufacturers in the field. Those users are not likely to adopt a new solution the requires them to change out all of their hardware. Further, while there may be scale/uniformity advantages of single suppliers of hardware, we think many end users may be generally averse to single suppliers, which requires the integration ubiquity that ProStar has worked to achieve. Moreover, as we understand it, some of that push to broad integration has been highlighted by some of their industry partners (CDOT and Kiewit). Again, our general view is that without PointMan's® broad integration footprint, ultimate success might be several magnitudes more difficult. To reiterate, while we think the integration ubiquity is likely paramount to their success, it is not an advantage the Company has been able to market until relatively recently. For instance, their integration with Rycom Instruments was completed in January (2024), which their integration with Topcon Positioning Group was just completed in late February (2024). We will address the Topcon integration further in this update.

Beyond the high-level discussion of the benefits of broad integration, we thought the two more *specific* product integration references from the Company were perhaps telling.

First, the integration with Propeller Aero (drone mapping) as well as with leading CAD platforms, Bentley's (Nasdaq: BSY) MicroStation and Autodesk's (Nasdaq: ADSK) AutoCAD, represent integrations beyond the typical data collection hardware integrations we have seen along the way, and we think they support our notion regarding the Company's focus on enhancing the "agnostic" of the product, which we ultimately believe is markedly additive to PointMan's® collective value proposition and is in our view, paramount to their success.

Second, we thought it was interesting to see their comment regarding the integration with ESRI. To edify, when we first started looking into ProStar, our understanding was always that ESRI was the "800-pound gorilla" in the mapping space, and at least at the time, represented their biggest competitor, albeit, not with what ProStar viewed as equivalent product offerings. Our assumption here is that ProStar's long standing view is that in some instances, PointMan® provides value and functionality (and at price points) that ESRI does not and/or will not. We think this integration/announcement further supports the Company's notion regarding their competitive position relative to (or apparently in conjunction with) industry leader ESRI. We think this also demonstrates the opportunities that are afforded ProStar by their willingness to "open" their application interfaces with other collaborators, which is not a posture the Company has taken, which actually dovetails with all of the integrations we have discussed.

Aside from new integrations, the Company's release also references some new "customers and projects", some that we think may provide some insights beyond the provided narrative:

Notable new Customers and Projects

Our most notable signings year to date are:

- *Garney, one of the largest water and sewerage construction company in the USA. (2,200 employees).*
- *Stake Center the 2nd largest utility locating company in the US conducting over 850,000 locates a month. (1200 employees).*
- *OnTransit a consortium of companies engaged in one of the largest public transit projects in Canadian history. Learn more about this project:* Contract Awarded for Ontario Line South Package (infrastructureontario.ca)

The first two of these bullet points are straightforward. They represent additional high profile, potentially large seat number customers, which is clearly constructive. Ostensibly, as with some of the other large customers they have accumulated to this point, we suspect these customers will start with some number of initial seats but ultimately the hope would be that they expand those as they adopt that platform across their system(s). Put another way, our expectation (and as such our associated modeling) is that the onboarding of these new (large) customers will likely involve only a portion the seat licenses/revenues that those enterprises may likely end up purchasing on an annual basis. As we understand it, that has been the case with Kiewit, which we believe recently added several licenses across their system.

The third bullet point above is interesting on multiple fronts. First, as the release notes, OnTransit is a handful of companies that collectively bid on and won the construction of the Ontario Line South Civil. The Ontario Line South Civil is part of the Ontario Line, a 15.6-kilometre new rapid transit project through Toronto. The Ontario Line South Civil will include a 6-kilometer tunnel as well as above ground and below ground stations. *It is a $6 billion project*. The two primary contractors in the OnTransit group are Spain's Ferrovial Construction and France's Vinci Construction. Both are large construction enterprises with international footprints. Vinci in particular is one of the largest in the world employing over 115,000 people. (For the sake of comparison, ProStar's current large commercial reference customer Kiewit, has approximately 28,000 employees). OnTransit has chosen PointMan® to help map the project. We think this "win" provides additional validation of the value of ProStar's platform, and we suspect it may provide openings to additional international licenses and projects.

In addition to the above, the aforementioned Corporate Update also included some near-term objectives, which we have excerpted below as well as providing some follow-on color:

Top 3 Near Term Objectives:

1. *Expand our international footprint from USA, Canada, Australia and New Zealand to include India, the Middle East and Europe.*
2. *Sign additional US State Department of Transportation agencies as customers.*
3. *Integration into US based One Call ticket management systems and exposure to their expansive customer bases.*

We think Near Term Objective #1 fits with our observation above regarding the Company's participation in the Ontario Line South Civil project, and perhaps more specifically, their collaboration with Ferrovial and Vinci. We are more intrigued by the fact that they have managed to attract the attention of additional large construction companies, one of which is particularly large, than we are necessarily that they are international players only because the Company's addressable market in the U.S. alone is so large that if they can manage to capture just a small portion of it, they will be quite successful without international customers. That said, opening international markets could provide another catalyst for the business.

Near Term Objective #2 has been the focus of much of ProStar's story over the past two years or so, although as we argued in the initiating coverage, we are not sure it is very well understood, and is therefore sometimes overstated. To edify, In January 2021, the Colorado Department of Transportation ("CDOT") *"mandated the use of ProStar's™ PointMan® software requiring that over 150 utility companies and more than 1,000 utility installation stakeholders use ProStar's PointMan mobile software platform to capture and record the precise location of underground utilities"*. To edify, this release coincided (within a few days) with the Company's trading in the public market in conjunction with their merger of a prior public vehicle. Succinctly, since the time of the CDOT mandate announcement, the stock has largely struggled:

Table 2.

In our view, some portion of the stock's poor performance has been related to misunderstandings around the potential of the CDOT mandate to generate revenues, and or to generate other potential DOT relationships with other states. In fairness, some portion of this time frame encompassed the pandemic, which we think was contributory, but setting that aside, this particular event clearly has not yielded what many anticipated in terms of sales and/or around the mandate attracting other DOTs. However, recall, the Company's major commercial customer, Kiewit, was the primary contractor on CDOT's I-70 project, so the CDOT mandate *certainly impacted the Company's success* in terms of that reference customer, which we expect to become a bigger customer going forward.

To frame this a bit more, in our experience, government "mandates" are generally elusive in terms of their impact, and that stems from a number of issues including the vigor of their enforcement and a host of other items. In short, the potential impact of CDOT on ProStar's success, especially its near-term success at the time, was clearly not well understood. To put that into (current) perspective, we think additional state DOT business and/or endorsements are likely, in fact we believe they have sold and/or provided licenses to other states that are currently evaluating PointMan®. While further announcement's around adoption in some form by other states will certainly be welcome events, the real benefit will need to be measured largely by how those DOT relationships translate in terms of new licenses/sales to commercial enterprise like construction companies and locators. Put another way, in our view, while we think the street has been conditioned a bit in terms of looking for more DOT "wins". However, in our view and for instance, the OnTransit announcement including contractors like Ferrovial and Vinci is a more important catalyst than the addition of another state DOT (or two).

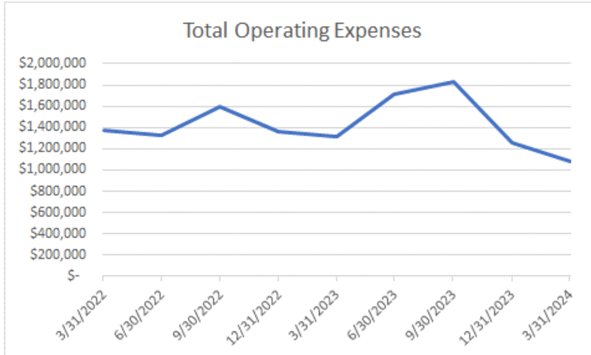
Moving on, we think Near Term Objective #3 is another perhaps misunderstood arrow in ProStar's quiver. To edify, and simply stated, the "One Call ticket management system" is perhaps more recognizable to most as "dial 811 before you dig". Much like 911, 811 is a national number that is designed to direct the caller to a local dispatch that can help them with locating utility infrastructure, and that includes both commercial and residential callers. From a cursory level, companies (contractors and excavators) typically submit a form ("ticket management") through One Call, which get routed to appropriate local locations where those with a record of the location of the utility lines (a utility company for instance) may dispatch someone to go identify where the utility line is buried which is often in turn denoted by a painted line. One of the problems the industry experiences is delays in the submission, and subsequent dispatch of that locator. That is, it can often take days to turn around the request, which delays projects. Moreover, sometimes construction companies do not wait for the location, to occur and start digging without it. (We referenced some data around this in the initial coverage, but suffice it to say, that is the genesis of a fair number of utility asset breaches that occur).

Today, there are multiple companies that provide interfaces to the One Call system, which again from a high level, provide an electronic/online ticket that speeds up the turnaround and provides a better overall audit trail of the request. In short, the integration of *PointMan®* into the One Call system, would allow for the transmission of and/or access to the most precise location data. For instance, in that case, armed with PointMan® the contractor/excavator could access that data on site and find the *exact* location of the utility lines (as opposed to a spray-painted line on the ground that may or may not be close to accurate). In short, we think this opportunity represents another line in the water that could add up to meaningful seat licenses along the way.

We think it is fair to say that the Company has not been satisfied with either the pace of adoption of *PointMan®* or, and perhaps by extension, the price of the shares. In retrospect, we think the sales cycle has proven to be longer and perhaps more challenging than they may have anticipated. That by the way, in our experience, is not atypical for small emerging software companies. As we have noted in the research of some other small technology companies we follow, getting large organizations to adopt change is difficult on various levels, and more times than not, it requires buy-in from the highest levels of most organizations. Moreover, sometimes that buy-in is driven by/predicated on the adoption of *others in the space* (competitors, vendors, customers etc.). We fully submit that the trajectory to this point has been slower than many had hoped, however, as the above corporate update has attempted to point out, and we think as several of the points we addressed above also support, the Company is beginning to demonstrate adoption on various fronts, and some of those fronts have to potential to transformational for ProStar. Further, we believe PointMan® will prove sticky, which will limit churn and drive the recurring revenue base. We believe that characteristic, combined with the 95%+ margin profile, *could provide* a powerful combination for highly profitable growth, which brings us to our next point.

In our view, the most important thing the Company can do to improve shareholder value is to get the business to cash flow positive as quickly as possible. That milestone would provide important visibility regarding future dilution, as well as removing the risks associated with raising capital in a very difficult environment. We can assure readers that is not news to nor lost on the Company and we think the chart below, which reflects the Company's Operating Expenses over the past several quarters, supports the notion. In short, over the past several quarters, the Company has worked diligently to reduce operating expenses in an effort to shorten the path to positive cash flow. To that end, the most recent quarter (Q1F24, ended 03/31/24) reflected an annualized Operating Expense run rate of roughly $4.3 million including annualized non-cash expenses of $300,000. While we have not modeled as much, we think they may drive operating expenses lower in subsequent F24 quarters.

Table 3.



On the revenue side, we would reiterate that the Company operates on what we think will be 95%+ margins going forward. From that perspective, and in the context of the aforementioned Operating Expense run rate, the simple math is that the Company needs roughly 4,000 seats licenses to get to cashflow breakeven, and they are beginning to provide pipeline and other project information that is beginning to provide objective visibility toward that path to 4,000. That brings us to another point.

While we are anticipating improving visibility, it remains elusive. For instance, revenue recognition around seat licenses is spread over the 12-month period encompassing the license (and the collection of the fees). To translate, aside from trying to determine the trajectory of the business, evaluating the cash and the deferred revenue over the next several quarters will likely be more telling than the actual (recognized) revenues.

In summary, first and foremost, the recent capital raise was paramount to the Company's path forward. While it is certainly conceivable that they may (or may not) need to raise some additional cash to get over the (positive cash flow) hump, every piece to that end is constructive. To that end, there was one additional piece of information in the Corporate Update:

> *"….We are actively applying for alternative* ***non-dilutive*** *financings in the form of grants and/or forgivable loans affiliated with the UN Sustainable Development Goals. We expect to know in the near term whether we qualify for any of these financing options.*

Our understanding is that this grant would be in the form of a forgivable loan and would be in the amount of several million dollars. We have no idea how to assess or handicap the likelihood of this event, although as we understand it, they believe they will get an answer in the near term. In our view, this could be a watershed event for the Company as presumably a catalyst for the underlying share price.

We would add one final albeit *big picture* observation. AI is Wall Street's new champion, so there are many public companies invoking the acronym as part of their paths forward. For some, that is a bigger stretch than for others. We think there is an element of AI to ProStar's opportunity. As we have noted in other prior research, in our view, the value of AI will depend in part, on the collection of accurate data… *a lot* of accurate data. At its core, PointMan® can facilitate the collection, storage and retrieval of millions of miles of *accurate* underground utility infrastructure data across the U.S. Moreover, that data could lead to avoiding billions of dollars of utility damage each year, as well as reducing human injury and mortality associated with accidental utility strikes. If they can play even a small role in that addressable market, the results could be extraordinary.

We reiterate our allocation of 4 and our 12-24 month price target of $.42 per ProStar share. We will reassess each as new data points emerge.

Projected Operating Model

ProStar Holdings, Inc.						
Projected Operating Statement						
By: Trickle Research						
	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	3/31/2024	**6/30/2024**	**9/30/2024**	**12/31/2024**	**Fiscal 2024**	**Fiscal 2025**
Revenue:						
Sales	$ 236,469	$ 456,364	$ 688,945	$ 1,031,225	$ 2,413,004	$ 7,107,787
Cost of Sales	$ 13,261	$ 15,476	$ 18,267	$ 22,375	$ 69,379	$ 125,293
Gross Margin	$ 223,208	$ 440,888	$ 670,678	$ 1,008,851	**$ 2,343,625**	**$ 6,982,494**
Expenses:						
Management	$ 54,699	$ 64,127	$ 68,779	$ 75,625	$ 263,230	$ 362,156
Information Technology	$ 31,282	$ 34,127	$ 38,779	$ 45,625	$ 149,813	$ 242,156
Product Development	$ 285,601	$ 275,973	$ 284,113	$ 296,093	$ 1,141,780	$ 1,288,773
Sales and marketing	$ 295,958	$ 288,255	$ 297,558	$ 311,249	$ 1,193,019	$ 1,364,311
Consulting	$ 24,893	$ 27,282	$ 28,445	$ 30,156	$ 110,776	$ 135,539
Depreciation	$ 29,095	$ 29,127	$ 29,159	$ 29,191	$ 116,572	$ 117,086
Foreigh Exchange	$ (11,356)	$ -	$ -	$ -	$ (11,356)	$ -
Insurance	$ 5,289	$ 5,413	$ 5,878	$ 6,562	$ 23,142	$ 32,216
Investor Relations	$ 58,363	$ 44,127	$ 48,779	$ 55,625	$ 206,894	$ 282,156
Office and Miscellaneous	$ 39,169	$ 29,564	$ 31,889	$ 35,312	$ 135,934	$ 171,078
Professional Fees	$ 76,459	$ 76,845	$ 80,334	$ 85,468	$ 319,107	$ 386,617
Rent	$ -	$ -	$ -	$ -	$ -	$ -
Salaries and Wages	$ 86,087	$ 86,845	$ 90,334	$ 95,468	$ 358,735	$ 426,617
Share Based Payments	$ 44,142	$ 49,127	$ 53,779	$ 60,625	$ 207,673	$ 302,156
Software Support	$ 28,386	$ 33,691	$ 40,668	$ 50,937	$ 153,682	$ 293,234
Transfer Agent and Filing Fees	$ 13,193	$ 11,845	$ 15,334	$ 20,468	$ 60,841	$ 126,617
Travel	$ 23,791	$ 39,127	$ 43,779	$ 50,625	$ 157,322	$ 262,156
Total Operating Expenses	$ 1,085,051	$ 1,095,476	$ 1,157,607	$ 1,249,028	**$ 4,587,163**	**$ 5,792,865**
Operating Income (Loss)	$ (861,843)	$ (654,588)	$ (486,929)	$ (240,178)	**$ (2,243,538)**	**$ 1,189,629**
Other Items:						
Interest Income	$ -	$ -	$ -	$ -	$ -	$ -
Finance Costs	$ (4,678)	$ (56,250)	$ (56,250)	$ (56,250)	$ (173,428)	$ (225,000)
Other						
Total Other Items	$ (4,678)	$ (56,250)	$ (56,250)	$ (56,250)	**$ (173,428)**	**$ (225,000)**
Net Income (Loss)	$ (866,521)	$ (710,838)	$ (543,179)	$ (296,428)	**$ (2,416,966)**	**$ 964,629**
Exchange Differences on Transaltion of Pa	$ 34,662	$ (34,199)	$ (34,198)	$ (34,197)	**$ (67,932)**	**$ (136,778)**
Comprehensive Gain (Loss)	$ (831,859)	$ (745,037)	$ (577,377)	$ (330,625)	**$ (2,484,898)**	**$ 827,851**
Gain (loss) Per share - Basic	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	**$ (0.02)**	**$ 0.01**
Gain (loss) Per share - Diluted	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	**$ (0.02)**	**$ 0.00**
Shares Outstanding - Basic	129,598,405	151,862,670	151,862,670	151,862,670	**146,296,604**	**151,862,670**
Shares Outstanding - Diluted	129,598,405	151,862,670	152,107,085	155,035,257	**147,150,854**	**165,508,969**

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Trickle Research holds two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. Prostar Holdings, Inc. has paid fees to present at Trickle co-sponsored conferences and we will encourage them to do so in the future.

Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

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.