PROSTAR HOLDINGS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2024

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

	June 30, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash	$ 84,519	$ 68,922
Receivables and prepayments (note 4)	483,756	116,360
	568,275	185,282
Non-Current Assets		
Equipment and right-of-use assets (note 5)	79,470	137,163
Intangible assets (note 6)	7,334	7,666
Total Assets	$ 655,079	$ 330,111
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	$ 524,504	$ 298,288
Deferred revenue	362,280	390,447
Lease liabilities (note 8)	60,778	117,651
Total Liabilities	947,562	806,386
Shareholders' Equity (Deficiency)		
Share capital (note 9)	37,493,821	35,966,144
Reserves (note 9)	3,926,524	3,667,757
Accumulated other comprehensive income (loss)	(271,309)	(269,211)
Deficit	(41,441,519)	(39,840,965)
	(292,483)	(476,275)
Total Liabilities and Shareholders' Equity (Deficiency)	$ 655,079	$ 330,111

Nature of Operations and Going Concern (note 1)

APPROVED ON BEHALF OF THE BOARD ON AUGUST 15, 2024

"Herb McKim"	*"Page Tucker"*
Director	**Director**

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

PROSTAR HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared By Management)
(Expressed in United States dollars)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Revenue				
Sales	$ 376,678	$ 234,439	$ 613,147	$ 465,244
Cost of Sales	(19,270)	(50,908)	(32,531)	(86,007)
Gross Margin	357,408	183,531	580,616	379,237
Expenses				
Management	52,891	150,000	107,590	302,500
Information technology	30,755	30,620	62,037	61,184
Product development	205,025	255,983	490,626	518,750
Sales and marketing	378,975	436,349	674,933	633,297
Consulting	20,608	67,019	45,501	145,070
Depreciation	28,930	29,507	58,025	60,471
Foreign exchange	(3,920)	(110)	(15,276)	1,467
Insurance	14,462	5,910	19,751	20,336
Investor relations	51,603	31,668	109,966	58,775
Office & miscellaneous	63,666	35,392	102,835	65,665
Professional fees	77,133	270,080	153,592	487,133
Salaries and wages	87,176	69,314	173,263	139,946
Share-based payments (note 9)	16,173	143,280	60,315	226,409
Software support	7,500	49,823	35,886	83,755
Transfer agent and filing fees	4,934	7,288	18,127	21,053
Travel	54,089	133,793	77,880	202,919
	(1,090,000)	(1,715,916)	(2,175,051)	(3,028,730)
	(732,592)	(1,532,385)	(1,594,435)	(2,649,493)
Other items				
Interest income	8	3,387	8	14,743
Finance costs (note 8)	(1,449)	(5,985)	(6,127)	(12,626)
	(1,441)	(2,598)	(6,119)	2,117
Loss for the period	(734,033)	(1,534,983)	(1,600,554)	(2,647,376)
Other comprehensive income:				
Exchange difference on translation of parent	(36,760)	1,622	(2,098)	(12,560)
Loss and comprehensive loss for the period	$ (770,793)	$ (1,533,361)	$ (1,602,652)	$ (2,659,936)
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	140,047,474	116,861,084	134,822,939	116,860,850
Loss Per Share				
Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

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

PROSTAR HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared By Management)
(Expressed in United States dollars)

For the six months ended June 30,		2024		2023
Cash Flows used in Operating Activities				
Loss for the period	$	(1,600,554)	$	(2,647,376)
Non-cash items				
Depreciation		58,025		60,471
Finance costs		6,127		12,626
Share-based payments		60,315		226,409
Changes in non-cash working capital items:				
Receivables and prepayments		(361,141)		(181,932)
Accounts payable and accrued liabilities		225,365		224,562
Deferred revenue		(28,167)		185,404
		(1,640,030)		(2,119,836)
Cash Flows provided by (used in) Financing Activities				
Proceeds received on shares issuances		1,849,519		-
Share issuance costs		(123,390)		-
Repayment of lease liabilities		(63,000)		(60,000)
		1,663,129		(60,000)
Change in cash during the period		23,099		(2,179,836)
Effect of foreign exchange on cash		(7,502)		(12,562)
Cash – beginning of period		68,922		2,205,279
Cash – end of period	$	84,519	$	12,881

Supplemental Cash Flow Information (note 11)

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

PROSTAR HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited – Prepared By Management)
(Expressed in United States dollars)

	Shares		Share Capital		Reserves		Accumulated Other Comprehensive Income (Loss)		Deficit		Total
Balance – December 31, 2022	116,861,084	$	33,345,604	$	3,293,927	$	(227,502)	$	(34,408,855)	$	2,003,174
Share-based payments (note 9 and 12)	-		-		226,409		-		-		226,409
Loss and comprehensive loss for the period	-		-		-		(12,560)		(2,647,376)		(2,659,936)
Balance –June 30, 2023	116,861,084		33,345,604		3,520,336		(240,062)		(37,056,231)		(430,353)
Private placements (note 9)	11,833,334		2,689,394		-		-		-		2,689,394
Options	182,500		77,350		(43,619)		-		-		33,731
Shares for debt	241,006		52,656		-		-		-		52,656
Share issuance costs (note 9)	-		(198,860)		-		-		-		(198,860)
Share-based payments (note 9 and 12)	-		-		191,040		-		-		191,040
Loss and comprehensive loss for the period	-		-		-		(29,149)		(2,784,734)		(2,813,883)
Balance – December 31, 2023	129,117,924		35,966,144		3,667,757		(269,211)		(39,840,965)		(476,275)
Private placements (note 9)	15,689,212		1,849,519		-		-		-		1,849,519
Share issuance costs (note 9)	-		(123,390)		-		-		-		(123,390)
Warrants (note 9)	-		(193,278)		193,278		-		-		-
Share-based payments (note 9 and 12)	-		-		60,315		-		-		60,315
Loss and comprehensive loss for the period	-		-		-		(2,098)		(1,600,554)		(1,602,652)
Balance – June 30, 2024	144,807,136	$	37,498,995	$	3,921,350	$	(271,309)	$	(41,441,519)	$	(292,483)

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

1. Nature of Operations and Going Concern

ProStar Holdings Inc ("PHI" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on February 13, 2007. The principal business of the Company is a developer of Software-as-a-Service ("**SaaS**")-based solutions, providing patented Geospatial Intelligence Software designed to enhance the management and maintenance of the asset lifecycle for asset centric industries. The Company is listed on the Toronto Stock Exchange Venture ("TSXV"), as a Tier 2 technology issuer on the TSXV and trades under the symbol MAPS.

The Company maintains its registered office at 1500-1111 West hastings Street, Vancouver, British Columbia, Canada, V6E 2J3 and keeps its records at 1507-1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as recorded in these condensed consolidated interim financial statements. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at June 30, 2024, the Company had not achieved profitable operations, had accumulated a deficit of $41,441,519 since inception and expects to incur further operating losses as it develops and expands its business. The Company's ability to continue as a going concern is dependent upon the ability to develop its business units, develop marketable software, potentially find, acquire and develop various other business segments with growth potential, its ability to obtain the necessary financing to carry out this strategy, and to meet its corporate overhead needs and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

2. Basis of Preparation

Statement of Compliance

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

Basis of Presentation

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

Basis of Consolidation

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

The condensed consolidated interim financial statements include the financial statements of the Company and its 100% owned subsidiary, ProStar Geocorp Inc., Delaware, United States.

Significant accounting judgments, estimates, and assumptions

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

2. Basis of Preparation

Significant accounting judgments, estimates, and assumptions (cont'd…)

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

Critical accounting judgments

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

Revenue and deferred revenue

Revenue is recognized when the revenue recognition criteria expressed in the accounting policy stated below for Revenue Recognition have been met. Judgment may be required when allocating revenue or discounts on sales amongst the various elements in a sale involving multiple performance obligations.

Functional currency

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

Estimate useful life

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

Impairment of accounts receivable

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

Deferred income tax

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

Software development costs

Management monitors progress of internal research and development projects. Significant judgment is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred. Judgement is required when determining when development is complete, the software may be commercially released and if incremental features and functionality will generate enough incremental revenue to warrant capitalization. The Company's management monitors, at each reporting year, whether the recognition requirements for development costs are or continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

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

2. Basis of Preparation (cont'd…)

Critical accounting estimates

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

Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them (note 9).

Right-of-use assets and lease liability

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

3. Material Accounting Policies

The accounting policies applied in preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's annual financial statements for the year ended December 31, 2023.

4. Receivables and prepayments

		June 30, 2024		December 31, 2023
Trade receivables	$	151,987	$	20,320
Other receivables and prepayments		331,769		96,040
	$	483,756	$	116,360

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

5. Equipment and Right-of-Use Assets

	Office furniture and equipment	Computer equipment and software	Survey equipment	Right-of-use assets (Office leases)	Total
Cost					
Balance – December 31, 2022	$ 42,645	$ 132,668	$ 13,498	$ -	$ 188,811
Additions	-	6,525	-	215,449	221,974
Disposals	(1,026)	(55,721)	(5,639)	-	(62,386)
Balance – December 31, 2023 and June 30, 2024	$ 41,619	$ 83,472	$ 7,859	$ 215,449	$ 348,399
Accumulated Depreciation					
Balance – December 31, 2022	$ 29,215	$ 113,498	$ 10,869	$ -	$ 153,582
Depreciation	4,167	9,210	814	104,164	118,355
Disposals	(1,026)	(54,036)	(5,639)	-	(60,701)
Balance – December 31, 2023	32,356	68,672	6,044	104,164	211,236
Depreciation	1,873	4,164	294	51,362	57,693
Balance – June 30, 2024	$ 34,229	$ 72,836	$ 6,338	$ 155,526	$ 268,929
Balance – December 31, 2023	$ 9,263	$ 14,800	$ 1,815	$ 111,285	$ 137,163
Balance – June 30, 2024	$ 7,390	$ 10,636	$ 1,521	$ 59,923	$ 79,470

6. Intangible assets

	Patent
Cost	
Balance – December 31, 2022 and 2023, and June 30, 2024	$ 505,000
Accumulated Amortization	
Balance – December 31, 2022	$ 496,667
Amortization	667
Balance – December 31, 2023	497,334
Amortization	332
Balance – June 30, 2024	$ 497,666
Balance – December 31, 2023	$ 7,666
Balance – June 30, 2024	$ 7,334

Patents

A total of $505,000 had been expended to acquire certain patents. The patents are being amortized over a period of 15 years.

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

7. Accounts Payable and Accrued Liabilities

		June 30, 2024		December 31, 2023
Trade accounts payable	$	443,557	$	217,583
Payroll liabilities		80,947		80,705
	$	524,504	$	298,288

8. Lease liabilities

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

Lease liabilities		
Balance, December 31, 2022	$	-
Recognition of lease liability		215,449
Accrued finance expense		22,202
Lease payments		(120,000)
Balance, December 31, 2023		117,651
Accrued finance expense		6,127
Lease payments		(63,000)
Balance, June 30, 2024	$	60,778
Current	$	60,778
Long-term	$	-

On January 1, 2023, the Company entered into a two-year office lease as demonstrated above. The Company applied an incremental borrowing rate of 13%.

9. Share Capital

(a) Authorized Share Capital

An unlimited number of common shares without par value.

(b) Common Shares

During the six-month period ended June 30, 2024, the Company closed a non-brokered private placement, in three tranches, for gross proceeds of CAD$2,510,274, through the sale of 15,689,212 units at a price of CAD$0.16 per unit. In accordance with the Company's accounting policy, the gross proceeds were allocated to the common shares and the share purchase warrants using the residual method, resulting in the allocation of $261,272 to the fair value of the warrants.

Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of CAD$0.22 for a period of three years. If the closing price of the common shares are at a price equal to or greater than CAD$0.30 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date.

The Company issued 83,125 broker warrants valued at $5,014, paid finder's fees of $9,793 (CAD$13,400) and paid share issuance costs of $113,597 (CAD$154,164). Each broker warrant entitles the holder to purchase an additional common share at an exercise price of CAD$0.16 for a period of three years. The Company valued the broker warrants using Black-Scholes and used the following assumptions: expected volatility of 93.98%, risk free interest rate of 3.8%, life of 3 years, dividend yield of 0% and forfeiture rate of 0%.

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

9. Share Capital (Cont'd…)

(b) Common Shares (Cont'd…)

During the year ended December 31, 2023, the Company:

a) Completed a non-brokered financing and issued a total of 11,833,334 units (the "Units") at a price of $0.23 (CAD$0.30) per Unit for gross proceeds of $2,689,394 (CAD$3,550,000). Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share at an exercise price of CAD$0.45 for a period of 24 months. The Company paid a total of $23,260 (CAD$30,732) in finders' fees and $175,600 (CAD$232,002) in other share issuance costs.

b) Issued 182,500 common shares upon the exercise of stock options and received gross proceeds of $33,731 (CAD$45,625).

c) Issued 241,006 common shares to settle debt of $60,000. At the time of issuance the shares had a fair value of $52,656, resulting in a gain on settlement of debt of $7,344.

(c) Stock options and warrants

The Directors of the Company adopted a stock option plan on September 19, 2023 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

Stock option and warrant transactions are summarized as follows:

	Stock options			Warrants		
	Number		Weighted Average Exercise Price CAD	Number		Weighted Average Exercise Price CAD
Outstanding, December 31, 2022	10,844,000	$	0.33	14,643,225	$	0.57
Granted	3,215,000		0.29	5,916,667		0.45
Exercised	(182,500)		0.25	-		-
Expired / cancelled	(1,575,000)		0.34	(14,643,225)		0.57
Outstanding, December 31, 2023	12,301,500		0.32	5,916,667		0.45
Granted	275,000		0.20	15,772,337		0.22
Expired / cancelled	(340,000)		0.35	-		-
Outstanding, June 30, 2024	12,236,500	$	0.32	21,689,004	$	0.28
Exercisable, June 30, 2024	11,507,333	$	0.32	21,689,004	$	0.28

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

9. Share Capital (Cont'd…)

(c) Stock options and warrants (Cont'd…)

Options Pricing Model. Total share-based payments recognized in the statement of loss and comprehensive loss for the six-month period ended June 30, 2024 was $60,315 (2023 - $226,409) for incentive options granted, vested and repriced. This amount was also recorded as contributed surplus on the statement of financial position. The following weighted average assumptions were used for the valuation of stock options:

	2024	2023
Weighted average fair value (CAD$)	$0.20	$0.21
Risk-free interest rate	3.43%	3.65%
Expected life of options	5 years	5 years
Annualized volatility	92.11%	89,43%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The following stock options were outstanding as at June 30, 2024:

Exercise Price	Outstanding	Exercisable	Expiry	Remaining Life (Years)
CAD$0.40	4,900,000	4,900,000	December 29, 2025	1.50
CAD$0.25	1,297,500	1,297,500	December 29, 2025	1.50
CAD$0.25	125,000	125,000	January 25, 2026	1.57
CAD$0.25	125,000	125,000	January 29, 2026	1.58
CAD$0.25	125,000	125,000	February 26, 2026	1.66
CAD$0.25	110,000	110,000	April 13, 2026	1.79
CAD$0.25	50,000	50,000	May 26, 2026	1.90
CAD$0.25	50,000	37,500	July 8, 2026	2.02
CAD$0.25	250,000	250,000	August 9, 2026	2.11
CAD$0.25	500,000	500,000	December 10, 2026	2.45
CAD$0.40	275,000	275,000	April 22, 2027	2.81
CAD$0.25	1,179,000	1,129,000	September 9, 2027	3.19
CAD$0.20	550,000	550,000	January 20, 2028	3.56
CAD$0.20	300,000	300,000	April 26, 2028	3.82
CAD$0.30	500,000	500,000	June 29, 2028	4.00
CAD$0.30	625,000	625,000	August 10, 2028	4.12
CAD$0.36	1,000,000	333,333	September 21, 2028	4.23
CAD$0.20	275,000	275,000	March 7, 2029	4.69
	12,236,500	11,507,333		

The following warrants were outstanding as at June 30, 2024:

Exercise Price	Number	Expiry	Remaining Life (Years)
CAD$0.45	5,916,667	July 21, 2025	1.06
CAD$0.22	8,744,746	March 26, 2027	2.74
CAD$0.22	5,358,333	May 14, 2027	2.87
CAD$0.22	1,586,133	June 6, 2027	2.93
CAD$0.16	83,125	June 6, 2027	2.93
	21,689,004		

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

9. Share Capital (Cont'd…)

(d) Long-Term Incentive Plan

The Company has a long-term incentive plan ("LTIP"), that permits the grant of Restricted Share Units ("RSU's), Performance Share Units ("PSUs"), Deferred Share Units ("DSUs"), and Stock Appreciation Rights ("SARs") (collectively referred to as "Awards") to directors, officers, employees and consultants. Under the terms of the LTIP the maximum number of Awards that can granted is fixed at 10,000,000. Further, the maximum number of shares for which Awards and other share compensation issuable to: (i) any participant shall not exceed 5% of the outstanding shares within any one year period, (ii) a consultant shall not exceed 2% of the outstanding shares within any one year period; and (ii) insiders as a group shall not exceed 10% of the outstanding shares. No persons providing investor relations activities may be granted Awards under the SBC Plan. All Awards are subject to a mandatory one-year vesting requirement. The Company did not grant any Awards during the period ended June 30, 2024 or the year ended December 31, 2023.

10. Management of Capital

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

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of funds for growth and development of its projects, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Company considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part. The Company has not changed its capital management strategy during the period ended June 30, 2024.

11. Supplemental Cash Flow Information

During the period ended June 30, 2024, the Company:

a) Allocated $193,278 using the residual value method to the fair value of the warrants included in the unit financing (note 8).
b) Issued 83,125 broker warrants valued at $5,174.

During the period ended June 30, 2023, the Company entered into lease agreements and recognized right of use assets and lease liabilities of $215,449 (note 6 and 8).

12. Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer, Chief Operating Officer, Chief Technology Officer and Chief Financial Officer.

During the periods ended June 30, 2024 and 2023, the Company paid or accrued, to key management personnel, directors and their related companies:

		2024		2023
Chief Executive Officer, included in management fees	$	107,590	$	150,000
Former Chief Operating Officer, included in management fees		-		152,500
Chief Technology Officer, included in product development		99,004		-
Chief Financial Officer, included in professional fees		60,000		60,000
Consulting Fees		41,000		22,500
Share based payments		30,898		142,293
Total	$	338,492	$	527,293

Included in accounts payable is $23,731 (December 31, 2023 - $27,821) due to a Company controlled by an officer of the Company.

13. Financial Risk Management

Fair value of financial instruments

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

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

As at June 30, 2024, the Company does not carry any financial instruments at fair value and believes that the carrying values of cash, receivables, lease liabilities, and accounts payable and accrued liabilities approximate their fair values because of their nature and/or relatively short maturity dates or durations.

Classification of financial instruments

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

Financial and capital risk management

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

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

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at June 30, 2024 the Company was not subject to significant market risk.

Foreign currency risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. As at June 30, 2024, the Company was not subject to material interest rate risk.

13. Financial Risk Management (Cont'd…)

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and receivables. The Company holds cash at a major Canadian and United States banks in chequing accounts.

Liquidity Risk

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

14. Segmented Information

The Company operates in one reportable segment, providing Geospatial Intelligence Software for asset-centric industries and earns revenue in one region, North America.