

# **Starrex International Ltd.**

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2017

(Unaudited)

## **Management's Responsibility for Condensed Interim Consolidated Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of Starrex International Ltd. (the "Company" or "Starrex") are the responsibility of the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the audited financial statements as at December 31, 2016. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the end of the reporting period. In the opinion of management, the condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*(Signed):* "Dr. Deborah M. Ramirez"  
Chief Financial Officer

Toronto, Canada  
November 17, 2017

### **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. These unaudited condensed interim consolidated financial statements as at, and for the three and nine-month periods ended, September 30, 2017, have not been reviewed by the Company's auditors.

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**Starrex International Ltd.**Condensed Interim Consolidated Statements of Financial Position  
(Unaudited) (Expressed in U.S. dollars)

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 794,158	\$ 97,975
Accounts receivable	302,715	305,446
Prepaid expenses	36,342	71,331
Notes receivable (Note 7)	583,617	1,930,000
	<b>1,716,832</b>	<b>2,404,752</b>
<b>Non-current Assets</b>		
Property and equipment, net of depreciation (Note 3)	216,055	271,848
Intangible assets (Note 4)	520,266	617,325
Goodwill (Note 5)	621,132	621,132
<b>Total Assets</b>	<b>\$ 3,074,285</b>	<b>\$ 3,915,057</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 940,265	\$ 749,885
Deferred revenue	60,875	253,035
Note payable	-	90,191
Income taxes payable	16,000	16,000
	<b>1,017,140</b>	<b>1,109,111</b>
<b>Long term liabilities</b>		
Deferred tax liability	179,420	168,974
<b>Total liabilities</b>	<b>1,196,560</b>	<b>1,278,085</b>
<b>Capital and reserves</b>		
Share capital (Note 8)	6,745,651	6,745,651
Contributed surplus (Note 9)	247,226	247,226
Accumulated other comprehensive income	(261,534)	(261,534)
Deficit	(4,853,618)	(4,094,371)
<b>Total equity</b>	<b>1,877,725</b>	<b>2,636,972</b>
<b>Total liabilities and equity</b>	<b>\$ 3,074,285</b>	<b>\$ 3,915,057</b>

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

**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the periods ended September 30, 2017 and 2016

(Unaudited) (Expressed in U.S. dollars)

	Three Months Ended Sept 30		Nine months ended Sept 30	
	2017	2016	2017	2016
<b>Income</b>				
Revenue	\$ 2,047,401	\$ 1,815,625	\$ 5,781,407	\$ 4,801,774
Interest income (Note 7)	22,181	24,323	69,565	72,441
	<b>2,069,582</b>	1,839,948	<b>5,850,972</b>	4,874,215
<b>Expenses</b>				
General and administrative	361,494	281,568	1,056,051	823,836
Professional fees	40,890	134,599	206,995	493,593
Payroll expense	1,643,884	1,534,544	4,656,426	4,028,296
Interest expense	567	1,134	1,677	4,105
Impairment on notes receivable (Note 7)	-	-	516,383	-
Depreciation and amortization (Notes 3 and 4)	53,799	52,956	162,242	163,851
	<b>2,100,634</b>	2,004,801	<b>6,599,773</b>	5,513,681
<b>Loss before provision for income taxes</b>	<b>(31,052)</b>	(164,853)	<b>(748,801)</b>	(639,466)
Income tax expense	-	-	10,446	-
<b>Net comprehensive loss for the period</b>	<b>\$ (31,052)</b>	\$ (164,853)	<b>\$ (759,247)</b>	\$ (639,466)
<b>Basic and diluted net loss per share</b>	<b>\$ (0.00)</b>	\$ (0.01)	<b>\$ (0.05)</b>	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>	<b>14,480,827</b>	14,480,827	<b>14,480,827</b>	14,480,827

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

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**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Changes in Equity  
For the nine-month period ended September 30, 2017 and 2016  
(Unaudited) (Expressed in U.S. dollars)

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	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance, December 31, 2015</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 247,226</b>	<b>\$ (3,323,233)</b>	<b>\$ (261,534)</b>	<b>\$ 3,408,110</b>
Net comprehensive loss for the period	-	-	-	(639,466)	-	(639,466)
<b>Balance, September 30, 2016</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 247,226</b>	<b>\$ (3,962,699)</b>	<b>\$ (261,534)</b>	<b>\$ 2,768,644</b>
<b>Balance, December 31, 2016</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 247,226</b>	<b>\$ (4,094,371)</b>	<b>\$ (261,534)</b>	<b>\$ 2,636,972</b>
Net comprehensive loss for the period	-	-	-	(759,247)	-	(759,247)
<b>Balance, September 30, 2017</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 247,226</b>	<b>\$ (4,853,618)</b>	<b>\$ (261,534)</b>	<b>\$ 1,877,725</b>

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

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**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Cash Flows  
For the nine-month periods ended September 30, 2017 and 2016  
(Unaudited) (Expressed in U.S. dollars)

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	September 30, 2017	September 30, 2016
<b>Cash flows from operating activities</b>		
Net comprehensive loss for the period	\$ (759,247)	\$ (639,466)
Items not affecting cash:		
Depreciation and amortization	162,242	163,851
Impairment of note receivable	516,383	-
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	2,731	100,435
Prepaid expenses	34,989	(28,988)
Accounts payable and accrued liabilities	190,380	419,693
Income taxes payable	-	-
Deferred revenue	(192,160)	43,803
Deferred tax liability	10,446	-
Cash flows from (used in) operating activities	(34,236)	59,328
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(9,390)	(2,707)
Proceeds from divestitures	830,000	-
Purchase of intangible assets	-	(9,809)
Cash flows from (used in) investing activities	820,610	(12,516)
<b>Cash flows from financing activities</b>		
Principal repayment on notes payable	(90,191)	(48,687)
Cash flows from (used in) financing activities	(90,191)	(48,687)
<b>Decrease in cash and cash equivalents</b>	<b>696,183</b>	<b>(1,875)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>97,975</b>	<b>176,457</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 794,158</b>	<b>\$ 174,582</b>

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

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# Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (Expressed in U.S. dollars)

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## 1. Business of the Company

### Nature of Business

Starrex International Ltd., formerly Starrex Mining Corporation Limited (“Starrex” or the “Company”) was incorporated on October 2, 1982 pursuant to the Canada Business Corporations Act under the name Starrex Mining Corporation Limited. The Company's address is 199 Bay Street, Suite 2200, Toronto, Ontario M5L 1G4. The Company's primary business is to acquire, manage and grow companies in the United States active in mortgage, real estate and other financial sectors.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 17, 2017.

## 2. Significant Accounting Policies

### a. *Statement of compliance*

The Company has prepared these unaudited condensed interim consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual audited consolidated financial statements as at December 31, 2016. The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2016. Certain disclosures that appear in the annual audited consolidated financial statements have not been produced in the unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim consolidated financial statements do not conform in all respects to the requirements of International Financial Reporting Standards (“IFRS”) for annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements as at December 31, 2016.

### b. *Standards issues or amended which will be adopted in future periods*

IFRS 9, Financial Instruments (“IFRS 9”) was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt on its effective date.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### **2. Significant Accounting Policies – continued**

#### ***b. Standards issues or amended which will be adopted in future periods - continued***

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's preliminary assessment of IFRS 15 has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt on its effective date.

#### ***c. Basis of presentation***

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### ***d. Principles of Consolidation***

These unaudited condensed interim consolidated financial statements include the Company and its wholly-owned subsidiary Property Interlink, LLC, which was acquired July 9, 2014, and Heinen & Associates LLC, a division of Property Interlink, LLC, which was acquired on November 19, 2014, as well as Brownlee Appraisal Services, Inc., a division of Property Interlink, LLC, which was acquired June 1, 2015. All subsidiaries are 100% owned and controlled by the Company. Subsidiaries are entities controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, including unrealized gains and losses have been eliminated upon consolidation.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### 2. Significant Accounting Policies – continued

#### *e. Accounting estimates and judgments*

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to these unaudited condensed interim consolidated financial statements are as follows:

- i.* Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values requires the use of estimates and assumptions related to future operating performance and discount rates, differences in these estimates and assumptions could have a significant impact on the unaudited condensed interim consolidated financial statements. No impairment has been recorded for the periods ended September 30, 2017 and 2016.
- ii.* Significant judgment is involved in the determination of useful life for the computation of depreciation of equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.
- iii.* Significant judgment is involved in the assessment of the recoverable amount of the note receivable (Note 7). As at September 30, 2017 and December 31, 2016, no principal repayments have been collected by the Company. Effective April 24, 2017, the promissory note in the amount of \$1,100,000 received for the assets of Olympia Capital Management, Inc. was in default. An impairment expense of \$516,383 (September 30, 2016 – \$NIL) was recognized during the nine-month period ended September 30, 2017, based on the assessment of the recoverable amount of the note receivable (Note 7).

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### **2. Significant Accounting Policies – continued**

#### **f. *Functional currency***

On January 1, 2015, Starrex International Ltd., the parent company, changed its functional currency from the Canadian dollar (“CAD”) to the U.S. dollar (“USD”). This reflects the fact that the majority of the Company’s business is influenced by an economic environment denominated in U.S. currency, as well, the Company earns revenues in U.S. dollars. The change in accounting treatment was applied prospectively. In conjunction with the change in functional currency, the Company changed its presentation currency from CAD to USD.

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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**3. Property, Plant and Equipment**

	<b>Furniture &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>			
As at December 31, 2016	\$ 406,503	\$ 72,201	\$ 478,704
Additions	9,390	-	9,390
<b>As at September 30, 2017</b>	<b>\$ 415,893</b>	<b>\$ 72,201</b>	<b>\$ 488,094</b>
<b>Accumulated depreciation</b>			
As at December 31, 2016	\$ 178,794	\$ 28,062	\$ 206,856
Expense	57,553	7,630	65,183
<b>As at September 30, 2017</b>	<b>\$ 236,347</b>	<b>\$ 35,692</b>	<b>\$ 272,039</b>
<b>Net book value</b>			
As at December 31, 2016	\$ 227,709	\$ 44,139	\$ 271,848
<b>As at September 30, 2017</b>	<b>\$ 179,546</b>	<b>\$ 36,509</b>	<b>\$ 216,055</b>

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### 4. Intangible Assets

	<b>Business Software &amp; Website (1)</b>	<b>Proprietary Software (2)</b>	<b>Non-Compete Agreements (3)</b>	<b>Customer Relationships (4)</b>	<b>Total</b>
<b>Cost</b>					
As at December 31, 2016	\$ 67,113	\$ 200,377	\$ 142,843	\$ 492,135	\$ 902,468
Additions	-	-	-	-	-
<b>As at September 30, 2017</b>	<b>\$ 67,113</b>	<b>\$ 200,377</b>	<b>\$ 142,843</b>	<b>\$ 492,135</b>	<b>\$ 902,468</b>
<b>Accumulated depreciation</b>					
As at December 31, 2016	\$ 34,490	\$ 68,281	\$ 67,912	\$ 114,460	\$ 285,143
Expense	9,933	29,641	21,080	36,405	97,059
<b>As at September 30, 2017</b>	<b>\$ 44,423</b>	<b>\$ 97,922</b>	<b>\$ 88,992</b>	<b>\$ 150,865</b>	<b>\$ 382,202</b>
<b>Net Book Value</b>					
As at December 31, 2016	\$ 32,623	\$ 132,096	\$ 74,931	\$ 377,675	\$ 617,325
<b>As at September 30, 2017</b>	<b>\$ 22,690</b>	<b>\$ 102,455</b>	<b>\$ 53,851</b>	<b>\$ 341,270</b>	<b>\$ 520,266</b>

(1) The Company has engaged software development companies to develop appraisal management software, general business software, and a website to be used by the Company to generate further revenues.

(2) Property Interlink, LLC engaged a software development company to develop proprietary software in support of Property Interlink's appraisal activities.

(3 & 4) The purchase price allocation of the acquisitions dated July 9, 2014, November 9, 2014, and June 1, 2015, included values for non-compete agreements for key employees in each of the subsidiaries as well as values for the existing customer relationships. These values have been included in the intangible assets.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### 5. Goodwill

	Property Interlink, LLC	One Force Staffing, Inc.	Olympia Capital Management, Inc.	Total
Balance, December 31, 2014	\$ 573,999	\$ 264,203	\$ 526,352	\$ 1,364,554
Acquisition June 1, 2015	47,133	-	-	47,133
Divestitures	-	(264,203)	(526,352)	(790,555)
<b>Balance December 31, 2015 and 2016 and September 30, 2017</b>	<b>\$ 621,132</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 621,132</b>

### 6. Related Party Transactions

The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company:

- The Company incurred \$247,920 in management fees during the nine months ended September 30, 2017 (September 30, 2016 - \$250,987) to the Chief Operating Officer, Chief Financial Officer and Chief Executive Officer for services provided to the Company. All amounts have been paid accordingly.
- Amcap Mortgage Ltd., a related customer (by Director) accounted for \$3,211,005 (September 30, 2016 – \$3,180,446) in revenue to the Company. As at September 30, 2017, \$57,860 (December 31, 2016 – \$36,240) is included in accounts receivable on the condensed consolidated interim statement of financial position.

### 7. Notes Receivable

The Company entered into agreements effective May 1, 2015, to divest Olympia Capital Management, Inc. and One Force Staffing, Inc. through asset sales. Promissory notes for \$1,100,000 and \$830,000 were received for Olympia Capital Management and One Force Staffing, Inc., respectively. The promissory notes carry a 5% interest rate compounded monthly. The promissory notes were originally payable in two equal installments of \$965,000 commencing November 30, 2015, the full balance due May 31, 2016.

The Company amended the terms of the notes receivable. The amended terms are as follows: interest only payments shall be due and payable quarterly commencing July 14, 2016, with principal and any outstanding interest coming fully due April 14, 2017. Upon the occurrence and during the continuance of any event of default the note receivable shall bear interest at a rate of 8%. As at September 30, 2017 and December 31, 2016, the notes receivable are classified in current assets.

On April 14, 2017, the promissory notes for \$830,000 and \$1,100,000 received for the assets of One Force Staffing, Inc. and Olympia Capital Management, Inc., respectively, matured and became due and payable following a ten-day grace period, the notes were in default. However, on May 12, 2017, the promissory note for the assets of One Force Staffing, Inc. was collected including accrued interest. An impairment expense of \$516,383 was recognized on the promissory note received for the assets of

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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**7. Notes Receivable – (continued)**

Olympia Capital Management, Inc. during the nine-month period ended September 30, 2017 in the condensed interim consolidated statements of loss and comprehensive loss.

During the nine-month period ended September 30, 2017, the Company recorded interest income of \$69,565 (September 30, 2016 - \$72,441) of which \$36,151 (December 31, 2016 - \$20,622) is outstanding and included in accounts receivable on the condensed interim statements of financial position.

**8. Share Capital****Authorized**

The Company is authorized to issue an unlimited number of common shares.

<b>Issued</b>	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, December 31, 2016 and September 30, 2017</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>

**9. Share-based Payments**

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the Plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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**8. Share-based Payments – (continued)****Details of options outstanding:**

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
<b>Outstanding December 31, 2016 and September 30, 2017</b>	<b>750,000</b>	<b>0.33</b>

	Common Shares Under option	Number of Options Vested	Exercise Price <sup>(0)</sup>	Expiry Date
Granted May 21, 2013	50,000 <sup>(1)</sup>	50,000	\$ 0.15 <sup>(4)</sup>	May 21, 2018
Granted April 17, 2014	550,000 <sup>(2)</sup>	550,000	0.19 <sup>(5)</sup>	April 17, 2019
Granted May 29, 2014	50,000 <sup>(3)</sup>	50,000	0.44 <sup>(6)</sup>	May 29, 2019
Granted August 25, 2015	100,000 <sup>(7)</sup>	100,000	1.31 <sup>(8)</sup>	September 1, 2020

<sup>(0)</sup> Exercise prices are stated in US dollars converted from Canadian dollars on date of grant.

<sup>(1)</sup> A Director of the Company holds these options. They are fully vested.

<sup>(2)</sup> Directors of the Company hold these options. They are fully vested.

<sup>(3)</sup> A Consultant of the Company holds these options. They are fully vested.

<sup>(4)</sup> The exercise price is CAD \$0.20.

<sup>(5)</sup> The exercise price is CAD \$0.25.

<sup>(6)</sup> The exercise price is CAD \$0.57.

<sup>(7)</sup> An Executive Officer of the Company holds these options. They are fully vested.

<sup>(8)</sup> The exercise price is CAD \$1.70.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### **9. Net Income (Loss) Per share**

Basic and diluted income (loss) per share has been calculated based on the weighted average number of common shares outstanding of 14,480,827 for the nine months ended September 30, 2017 (September 30, 2016 – 14,480,827). Stock options were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

### **10. Capital Disclosures**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide return for shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital, which totals \$1,877,725 as at September 30, 2017 (December 31, 2016 - \$2,636,972). The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the nine months ended September 30, 2017.

### **11. Financial Risk Factors**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities and note payable. As at September 30, 2017, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

#### ***Credit Risk***

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. As at September 30, 2017, no allowance for doubtful accounts was recorded (December 31, 2016 – \$Nil). The Company is also subject to credit risk on its note receivable. During the nine-month period ended September 30, 2017, the Company recorded an impairment expense of \$516,383 on a note receivable (original principal amount of \$1,100,000) which note is in default and currently being renegotiated.

#### ***Liquidity Risk***

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At September 30, 2017, the Company had cash and cash equivalents of \$794,158 (December 31, 2016 - \$97,975) available to settle current financial liabilities of \$1,017,140 (December 31, 2016 - \$1,109,111).

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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**11. Financial Risk Factors - continued*****Interest Rate Risk***

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The Company's note payable and notes receivable are at fixed rates of interest and as such are not exposed to significant interest rate risk. The interest rate risks on cash and on the Company's obligations are not considered significant.

***Foreign Currency Risk***

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2017 and December 31, 2016, the Company held minimal amounts of cash and cash equivalents in CDN currency and considers foreign currency low risk.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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### 12. Segmented Disclosures

The Company organizes its reporting structure into two reportable segments. For management purposes, the Company is organized into segments based on their products and services provided. Management monitors the operating results of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

i) Property Interlink, LLC manages appraisal companies and maintains all of the ordering, tracking, administrative duties, and details and ensures the timeliness of appraisals that are handled during a real estate mortgage transaction. Heinen & Associates LLC, which was acquired during the 2014 year and Brownlee Appraisal Services, Inc., which was acquired during the 2015 year, are integrated with the Property Interlink, LLC segment.

ii) Starrex International Ltd, or Corporate, manages the wholly-owned subsidiaries, as well as shareholder services and corporate governance.

Select financial information for the nine months ended September 30, 2017 is presented as follows:

**As at and for the nine-month  
period ended September 30, 2017**

	<b>Property Interlink, LLC</b>	<b>Corporate</b>	<b>Total</b>
Current assets	\$ 358,418	\$ 1,358,414	\$ 1,716,832
Property and equipment	216,055	-	216,055
Intangible assets	520,266	-	520,266
Goodwill	621,132	-	621,132
Total assets	\$ 1,715,871	\$ 1,358,414	\$ 3,074,285
Current liabilities	\$ 654,661	\$ 362,479	\$ 1,017,140
Long-term liabilities	179,420	-	179,420
Total liabilities	\$ 834,081	\$ 362,479	\$ 1,196,560
Revenues	\$ 5,781,407	\$ 69,565	\$ 5,850,972
Expenses	\$ 5,472,037	\$ 1,127,736	\$ 6,599,773
Operating income (loss) from continuing operations before provision for income tax	\$ 309,370	\$ (1,058,171)	\$ (748,801)

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2017 and 2016

(Unaudited) (stated in United States dollars)

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Select financial information for the nine months ended September 30, 2016 is presented as follows:

**As at and for the nine-month  
period ended September 30, 2016**

	<b>Property Interlink, LLC</b>	<b>Corporate</b>	<b>Total</b>
Current assets	\$ 444,012	\$ 1,960,740	\$ 2,404,752
Property and equipment	271,848	-	271,848
Intangible assets	617,325	-	617,325
Goodwill	621,132	-	621,132
Total assets	\$ 1,954,317	\$ 1,960,740	\$ 3,915,057
Current liabilities	\$ 727,506	\$ 381,605	1,109,111
Long-term liabilities	168,974	-	168,974
Total liabilities	\$ 896,480	\$ 381,605	\$ 1,278,085
Revenues	\$ 4,801,774	\$ 72,441	\$ 4,874,215
Expenses	\$ 4,770,727	\$ 742,954	\$ 5,513,681
Operating loss from continuing operations before provision for income tax	\$ 31,047	\$ (670,513)	\$ (639,466)