

# **Starrex International Ltd.**

Condensed Interim Consolidated Financial Statements (Restated)

Three and Six Months Ended June 30, 2016 and 2015

(Unaudited)

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

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

The unaudited condensed interim consolidated financial statements (restated) have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the restated audited financial statements as at December 31, 2015. 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 (restated) 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 (restated).

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements (restated) 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 24, 2016

## **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements (restated) 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 six-month periods ended, June 30, 2016, 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 United States dollars)

	<b>June 30, 2016</b>	December 31, 2015
<b>Current Assets</b>		
Cash and cash equivalents	\$ 160,725	\$ 176,457
Accounts receivable (Note 8)	273,730	408,932
Prepaid expenses	73,477	47,840
	<b>507,932</b>	<b>633,229</b>
<b>Non-current Assets</b>		
Property, plant and equipment, net of depreciation (Note 5)	309,074	348,821
Intangible assets, net of amortization (Note 6)	682,772	738,483
Goodwill (Note 7)	621,132	621,132
Note receivable (Note 9)	1,930,000	1,930,000
<b>Total Assets</b>	<b>\$ 4,050,910</b>	<b>\$ 4,271,665</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 654,176	\$ 313,503
Deferred revenue	47,101	83,765
Notes payable (Note 13)	100,752	100,382
Income taxes payable	32,230	32,230
	<b>834,259</b>	<b>529,880</b>
<b>Long term liabilities</b>		
Notes payable (Note 13)	-	50,191
Deferred tax liability	283,484	283,484
<b>Total liabilities</b>	<b>1,117,743</b>	<b>863,555</b>
<b>Capital and reserves</b>		
Share capital (Note 10)	6,745,651	6,745,651
Contributed surplus	247,226	247,226
Accumulated other comprehensive income	(261,534)	(261,534)
Deficit	(3,798,176)	(3,323,233)
<b>Total equity</b>	<b>2,933,167</b>	<b>3,408,110</b>
<b>Total equity and liabilities</b>	<b>\$ 4,050,910</b>	<b>\$ 4,271,665</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 June 30, 2016 and 2015

(Unaudited) (Expressed in United States dollars)

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
		(Second Restatement See Note 2)		(Second Restatement See Note 2)
<b>Income</b>				
Investment income	\$ 24,059	\$ 353	\$ 48,118	\$ 549
Revenue (Note 8)	1,674,218	1,589,062	2,986,149	2,989,031
	<b>1,698,277</b>	1,589,415	<b>3,034,267</b>	2,989,580
<b>Expenses</b>				
Administrative	289,099	137,060	549,257	354,063
Professional fees	173,459	87,560	355,256	154,061
Payroll expense	1,407,164	1,212,450	2,493,752	2,442,849
Interest expense	1,325	4,118	2,971	5,936
Depreciation (Note 5)	21,249	29,010	42,454	34,452
Amortization (Note 6)	35,180	21,462	65,520	54,746
Impairment on goodwill (Note 7)	-	149,301	-	149,301
Share based payments (Note 11)	-	3,707	-	3,707
	<b>1,927,476</b>	1,644,668	<b>3,509,210</b>	3,199,115
<b>Net loss from continuing operations</b>	<b>(229,199)</b>	(55,253)	<b>(474,943)</b>	(209,535)
<b>Loss from discontinued operations (Note 17)</b>	-	(230,839)	-	(348,593)
<b>Net comprehensive loss for the period</b>	<b>\$ (229,199)</b>	\$ (286,092)	<b>\$ (474,943)</b>	\$ (558,128)
<b>Basic and diluted net loss from continuing operations</b>	<b>\$ (0.02)</b>	\$ (0.00)	<b>\$ (0.03)</b>	\$ (0.01)
<b>Basic and diluted net loss from discontinued operations</b>	<b>\$ -</b>	\$ (0.02)	<b>\$ -</b>	\$ (0.02)
<b>Weighted average number of common shares</b>				
<b>outstanding</b>	<b>14,480,827</b>	14,434,800	<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.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the six and three month periods ended June 30, 2016 and 2015

(Unaudited) (Expressed in United States dollars)

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	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance, December 31, 2014</b>	<b>14,430,827</b>	<b>\$ 6,678,321</b>	<b>\$ 148,204</b>	<b>\$ (2,348,832)</b>	<b>\$ (261,534)</b>	<b>\$ 4,216,159</b>
Issuance of share for acquisitions	50,000	67,330	-	-	-	67,330
Shares based payments	-	-	3,707	-	-	3,707
Net comprehensive loss for the period	-	-	-	(558,128)	-	(558,128)
<b>Balance, June 30, 2015</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 151,911</b>	<b>\$ (2,906,960)</b>	<b>\$ (261,534)</b>	<b>\$ 3,729,068</b>
<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	-	-	-	(474,943)	-	(474,943)
<b>Balance, June 30, 2016</b>	<b>14,480,827</b>	<b>\$ 6,745,651</b>	<b>\$ 247,226</b>	<b>\$ (3,798,176)</b>	<b>\$ (261,534)</b>	<b>\$ 2,933,167</b>

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

**Starrex International Ltd.**

## Condensed Interim Consolidated Statements of Cash Flows

For the periods ended June 30, 2016 and 2015

(Unaudited) (Expressed in United States dollars)

	<b>June 30, 2016</b>	June 30, 2015
		(Second Restatement See Note 2)
<b>Cash flows from operating activities</b>		
Net comprehensive loss for the period	\$ (474,943)	\$ (209,535)
Loss from discontinued operations	-	(348,593)
Items not affecting cash:		
Impairment on goodwill	-	149,301
Depreciation	42,454	34,452
Amortization	65,520	54,746
Unpaid interest	2,971	5,936
Share based payments	-	3,707
Net change in non-cash working capital items relating to operating activities		
Prepaid expenses	(25,637)	(30,931)
Accounts receivable	135,202	(26,808)
Accounts payable and accrued liabilities	337,702	62,429
Deferred revenue	(36,664)	(186,249)
Deferred tax liability	-	(65,220)
Cash generated from (used in) operating activities	46,605	(556,765)
Net change in non-cash working capital items relating to discontinued operations	-	221,119
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,707)	(66,692)
Purchase of intangible assets	(9,809)	(95,124)
Cash used in investing activities	(12,516)	(161,816)
<b>Financing activities</b>		
Principal repayment on notes payable	(49,821)	(46,523)
Cash used in financing activities	(49,821)	(46,523)
<b>Decrease in cash and equivalents</b>	<b>(15,732)</b>	<b>(543,985)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>176,457</b>	<b>1,393,987</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 160,725</b>	<b>\$ 850,002</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 (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States 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 (restated) were approved by the Board of Directors on November 24, 2016.

### **2. Restatement of Previously Issues Financial Statements**

On November 24, 2016, the Company issued the second restatement of the unaudited condensed interim consolidated financial statements for the period ending June 30, 2015. The Company determined that it held control of the net assets of One Force Staffing, Inc. and Olympia Capital Management, Inc. until August 18, 2015 rather than May 1, 2015 as originally reported.

Immediately before the initial classification as available for sale, the divested entities were measured at the lower of the carrying value less costs to sell. As a result of this assessment, an impairment of goodwill of Olympia Capital Management, LLC was determined to be required in the amount of \$149,301 for the three and six month period ended June 30, 2015. The restatement impacted the comparative period as at June 30, 2015 for the unaudited condensed interim consolidated financial statements effective June 30, 2016 and the notes to the condensed interim consolidated financial statements. There were no changes to the financial results for the current period end in these condensed interim consolidated financial statements.

### **3. Significant Accounting Policies**

#### **a. Statement of compliance**

The Company has prepared these restated 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 restated annual financial statements as at December 31, 2015. The notes to these unaudited condensed interim consolidated financial statements (restated) are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since December 31, 2015. Certain disclosures that appear in the annual 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 IFRS for annual financial statements. Accordingly, these unaudited condensed interim consolidated financial statements (restated) should only be read in conjunction with the restated annual financial statements as at December 31, 2015.



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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### **3. Significant Accounting Policies – (continued)**

#### **b. Standards issued 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.

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.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance lease is retained. IFRS 16 supersedes IAS 17 ‘Leases’ and related interpretations and is effective for period beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 ‘Revenue from Contracts with Customers’ has also been applied.

The Company is currently assessing the effects of these new standards and intends to adopt them on their effective dates.

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

These unaudited condensed interim consolidated financial statements (restated) 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 (restated) have been prepared using the accrual basis of accounting except for cash flow information.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### 3. Significant Accounting Policies – (continued)

#### d. *Principles of consolidation*

These unaudited condensed interim consolidated financial statements (restated) 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, profits and losses, including unrealized gains and losses have been eliminated upon consolidation.

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

The preparation of these unaudited condensed interim consolidated financial statements (restated) 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 (restated) 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. An impairment loss of \$Nil has been recorded for the period ended June 30, 2016 in the loss from continuing operations (June 30, 2015 - \$149,301).
- 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. Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### 3. 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.

### 4. Business Combinations

#### *Acquisition of Brownlee Appraisal Services, Inc.*

On June 1, 2015, Property Interlink, LLC, a wholly-owned subsidiary of Starrex International Ltd., completed the acquisition of Brownlee Appraisal Services, Inc., a United States based entity. All of the membership interest of Brownlee Appraisal Services, Inc. were exchanged in consideration of \$67,330, which was satisfied by the issuance of 50,000 common shares of Starrex with a fair value of \$67,300.

The following sets forth the final allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

#### **Consideration Paid:**

Fair value of 50,000 Starrex common shares issued June 1, 2015	\$ 67,330
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#### **Allocation of purchase price:**

Intangible assets	\$ 33,439
Deferred income tax	(13,242)
Goodwill	47,133
	<hr/> \$ 67,330

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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**5. Property, Plant and Equipment**

	<b>Furniture &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>			
As at January 1, 2015	\$ 764,512	\$ 173,831	\$ 938,343
Additions	83,075	2,200	85,275
Disposals	(449,851)	(103,830)	(553,681)
As at December 31, 2015	\$ 397,736	\$ 72,201	\$ 469,937
Additions	2,707	-	2,707
<b>As at June 30, 2016</b>	<b>\$ 400,443</b>	<b>\$ 72,201</b>	<b>\$ 472,644</b>
<b>Accumulated depreciation</b>			
As at January 1, 2015	\$ 69,682	\$ 10,762	\$ 80,444
Disposals	(74,515)	(10,592)	(85,107)
Expense	108,201	17,578	125,779
As at December 31, 2015	\$ 103,368	\$ 17,748	\$ 121,116
Expense	37,297	5,157	42,454
<b>As at June 30, 2016</b>	<b>\$ 140,665</b>	<b>\$ 22,905</b>	<b>\$ 163,570</b>
<b>Net book value</b>			
As at December 31, 2015	\$ 294,368	\$ 54,453	\$ 348,821
<b>As at June 30, 2016</b>	<b>\$ 259,778</b>	<b>\$ 49,296</b>	<b>\$ 309,074</b>

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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**6. 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 January 1, 2015	\$ 169,281	\$ 55,151	\$ 360,195	\$ 774,363	\$ 1,358,990
Additions	-	135,417	-	33,439	168,856
Disposals	(102,168)	-	(217,352)	(315,667)	(635,187)
As at December 31, 2015	\$ 67,113	\$ 190,568	\$ 142,843	\$ 492,135	\$ 892,659
Additions	-	9,809	-	-	9,809
<b>As at June 30, 2016</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 January 1, 2015	\$ 16,247	\$ -	\$ 31,688	\$ 49,646	\$ 97,581
Disposals	(15,887)	-	(35,253)	(51,199)	(102,339)
Expense	20,704	28,451	42,980	66,799	158,934
As at December 31, 2015	\$ 21,064	\$ 28,451	\$ 39,415	\$ 65,246	\$ 154,176
Expense	6,713	19,915	14,284	24,608	65,520
<b>As at June 30, 2016</b>	<b>\$ 27,777</b>	<b>\$ 48,366</b>	<b>\$ 53,699</b>	<b>\$ 89,854</b>	<b>\$ 219,696</b>
<b>Net Book Value</b>					
As at December 31, 2015	\$ 46,049	\$ 162,117	\$ 103,428	\$ 426,889	\$ 738,483
<b>As at June 30, 2016</b>	<b>\$ 39,336</b>	<b>\$ 152,011</b>	<b>\$ 89,144</b>	<b>\$ 402,281</b>	<b>\$ 682,772</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. The business software and website are depreciated under a straight line method over five years.

(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 acquisition dated June 1, 2015, included values for non-compete agreements for key employees in the subsidiary as well as 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 (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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**7. Goodwill**

	<b>Property Interlink, LLC</b>	<b>One Force Staffing, Inc.</b>	<b>Olympia Capital Management, Inc.</b>	<b>Total</b>
<b>Balance, December 31, 2014</b>	\$ 573,999	\$ 264,203	\$ 526,352	\$ <b>1,364,554</b>
Acquisition June 1, 2015	47,133	-	-	<b>47,133</b>
Impairment	-	-	(149,301)	<b>(149,301)</b>
Divestitures	-	(264,203)	(377,051)	<b>(641,254)</b>
<b>Balance, December 31, 2015</b>				
<b>&amp; June 30, 2016</b>	\$ <b>621,132</b>	\$ <b>-</b>	\$ <b>-</b>	\$ <b>621,132</b>

**8. 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 \$168,347 in management fees during the six months ended June 30, 2016 (June 30, 2015 - \$120,000) to the COO, CFO and SVP for services provided to the Company. All amounts have been paid accordingly.
- Amcap Mortgage Ltd., a customer related by common management, the Chief Executive Officer, accounted for \$2,047,537 (June 30, 2015 – \$1,495,484) in revenue to the Company. As at June 30, 2016 \$16,406 (December 31, 2015 – \$36,480) is included in accounts receivable on the condensed interim consolidated statement of financial position.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### 9. 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 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 June 30, 2016 and December 31, 2015, the note receivable is classified in non-current assets on the condensed interim consolidated statements of financial position.

During the six-month period ended June 30, 2016, the Company recorded interest income of \$48,118 (June 30, 2015 - \$NIL) of which \$48,118 is outstanding and included in accounts receivable on the condensed interim consolidated statements of financial position based upon the re-negotiated schedule set forth above.

### 10. 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, 2014 and June 30, 2015</b>	<b>14,430,827</b>	<b>\$6,678,321</b>
Acquisition (i)	50,000	67,330
<b>Balance December 31, 2015 and June 30, 2016</b>	<b>14,480,827</b>	<b>\$6,745,651</b>

i) During June 2015, the Company issued 50,000 common shares valued at \$67,330 as consideration for the acquisition of Brownlee Appraisal Services, Inc. (Note 4).

### 11. 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 (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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**11. Share-based Payments – continued****Details of options outstanding:**

	<b>Number of options</b>	<b>Weighted average exercise price</b>
<b>Outstanding, December 31, 2014</b>	750,000	\$ 0.23
Cancelled	(100,000)	0.18
Granted	100,000	1.23
<b>Outstanding, December 31, 2015 and June 30, 2016</b>	750,000	\$ 0.33

	Common Shares Under option	Number of Options Vested	Exercise Price	Expiry Date
Granted May 21, 2013	50,000 <sup>(1)</sup>	50,000	\$ 0.16 <sup>(4)</sup>	May 21, 2018
Granted April 17, 2014	550,000 <sup>(2)</sup>	550,000	0.19 <sup>(5)</sup>	April 16, 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>(1)</sup> A Director of the Company holds these options. One half of the options vested May 21, 2014. The remaining options vested on May 21, 2015.

<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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**12. 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 six months ended June 30, 2016 (June 30, 2015 – 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.

**13. Note Payable**

On November 19, 2014, Property Interlink, LLC, a subsidiary of Starrex International Ltd. completed the acquisition of Heinen & Associates, LLC, for consideration which included the issuance of a promissory note in the aggregate amount of \$250,000. The promissory note has an interest rate of 4.5% per annum with semi-annual principal payments of \$50,000 and applicable interest starting May 1, 2015 and ending May 1, 2017.

As of June 30, 2016, \$100,752 (December 31, 2015 - \$100,382) of the outstanding balance is due within 1 year and \$Nil (December 31, 2015 - \$50,191) of the balance is due after 1 year. During the period ended June 30, 2016, the Company recorded interest expense of \$2,971 (June 30, 2015 – \$5,936) on the promissory note, which is unpaid and included in the value of the note payable on the condensed interim consolidated statement of financial position at the end of the period.

**14. 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 \$2,933,167 as at June 30, 2016 (December 31, 2015 - \$3,408,110). 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 six months ended June 30, 2016.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### **15. Financial Risk Factors**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities and note payable. As at June 30, 2016, 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 June 30, 2016 (December 31, 2015 – \$Nil), no allowance for doubtful accounts was recorded. The Company is also subject to credit risk on its note receivable.

#### ***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 June 30, 2016, the Company had cash and cash equivalents of \$160,725 (December 31, 2015 - \$176,457) available to settle current financial liabilities of \$834,259 (December 31, 2015 - \$529,880).

#### ***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 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 June 30, 2016, the Company held immaterial 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 (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### 16. 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 current year, are integrated with the Property Interlink 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 six months ended June 30, 2016 is presented as follows:

	<b>Property Interlink, LLC</b>		<b>Corporate</b>		<b>Total</b>	
Current assets	\$	274,753	\$	233,179	\$	<b>507,932</b>
Notes receivable		-		1,930,000		<b>1,930,000</b>
Property, plant and equipment		309,074		-		<b>309,074</b>
Intangible assets		682,772		-		<b>682,772</b>
Goodwill		621,132		-		<b>621,132</b>
Total Assets	\$	1,887,731	\$	2,163,179	\$	<b>4,050,910</b>
Current liabilities	\$	521,647	\$	312,612	\$	<b>834,259</b>
Long-term liabilities		283,484		-		<b>283,484</b>
Total liabilities	\$	805,131	\$	312,612	\$	<b>1,117,743</b>
Revenues	\$	2,986,149	\$	48,118	\$	<b>3,034,267</b>
Expenses	\$	2,972,536	\$	536,674	\$	<b>3,509,210</b>
Net loss	\$	13,613	\$	(488,556)	\$	<b>(474,943)</b>

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements (restated)

For the periods ended June 30, 2016 and 2015

(Unaudited) (stated in United States dollars)

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### 17. Discontinued Operations

Starrex International Ltd. completed an agreement in August 2015 to divest Olympia Capital Management, Inc. a consulting and software solutions corporation, along with One Force Staffing, Inc., its staffing and recruiting agency, with an effective date of May 1, 2015 in exchange for promissory notes receivable of \$1,100,000 and \$830,000 respectively.

In addition, after further analysis of the dates on the approval on the divestiture agreements for One Force Staffing, Inc. and Olympia Capital Management, Inc., the Company determined that control had not been transferred at the effective date May 1, 2015, as stated in the divestiture agreements. The Company held control of the net assets of One Force Staffing, Inc. and Olympia Capital Management, Inc. until August 18, 2015.

All revenue and expenses associated with Olympia Capital Management, Inc. and One Force Staffing, Inc. operations have been classified as discontinued operations. Operating results from discontinued operations in Olympia Capital Management, Inc. and One Force Staffing, Inc. are summarized as follows:

For the period ended June 30, 2015	Olympia Capital Management, Inc.	One Force Staffing, Inc.	Total
Revenue	\$ 94,434	\$ 124,006	\$ 218,440
	<b>94,434</b>	<b>124,006</b>	<b>218,440</b>
<b>Expenses</b>			
Depreciation	28,526	16,901	45,427
Amortization	25,788	15,902	41,690
General and administrative	52,640	31,035	83,675
Payroll expense	177,313	87,401	264,714
Professional fees	-	49,388	49,388
	<b>284,267</b>	<b>200,627</b>	<b>484,894</b>
<b>Loss from operations</b>	\$ (189,833)	\$ (76,621)	\$ (266,454)
Provision for income taxes	(39,445)	(42,694)	(82,139)
<b>Loss from discontinued operations</b>	\$ (229,278)	\$ (119,315)	\$ (348,593)