STARREX INTERNATIONAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2016

March 27, 2017

This Management's Discussion and Analysis ("MD&A") contains management's interpretation of Starrex International Ltd.'s performance for the year ended December 31, 2016. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and provides the Company's plans for subsequent periods ahead. This MD&A is dated March 27, 2017.

This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2016 and related notes. Together, the MD&A and financial statements provide key information about the Company's performance and ability to meet its objectives.

Important information about this MD&A

- The information in this MD&A is prepared as of March 27, 2017.
- The terms "we", "us," "our," and "Company" refer to Starrex International Ltd.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the Company's current views of future events and financial performance. Key risks and uncertainties are discussed in the risks and risk management section of this MD&A. However, some risks and uncertainties are beyond the control of the Company and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words "believe," "plan," "intend," "estimate," "expect," "anticipate" and similar expressions, as well as future conditional verbs, such as "will," "should," "would" and "could" often identify forward-looking statements.
- The words "plan" and "budget" are synonymous in the MD&A and are used interchangeably. Both describe the planned budget revenue and expenses for the related fiscal year.
- Unless otherwise specified, references to a year refer to the Company's fiscal year ended December 31, 2016.
- All financial information related to 2016 and 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, Note 2 *Significant Accounting Policies.*
- Amounts shown in this MD&A are expressed in United States Dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile and analysis of components may not sum to the analysis for the grouped components.

About Starrex International Ltd.

A summary of our business, core values and goals

Starrex International Ltd. ("Starrex") is an emerging financial services company, sitting inactive for many years until the end of November 2013. The Company completed its initial business acquisition in the third quarter of 2014.

Our primary business operations are conducted through our wholly-owned subsidiary, Property Interlink, LLC, a United States Colorado limited liability company ("Property Interlink"). Property Interlink is a licensed appraisal management company providing objective and comprehensive evaluations of residential real estate. An appraisal management company is defined as an independent entity through which mortgage lenders order residential real estate valuation services for properties on which they are considering extending loans to homebuyers.

As of December 31, 2016, Property Interlink is active in 38 jurisdictions in the United States (36 states plus one district and one territory). Property Interlink provides residential appraisals to third parties in the United States. In exchange for these contractual services, Property Interlink charges a specific rate, with additional premiums charged for extenuating circumstances with respect to geographic location of the property and size of the property under review. Property Interlink also performs review services for repairs and new construction.

Property Interlink contributes to correlating industry-specific affiliations by actively participating in the Appraisal Institute and other U.S. appraisal organizations.

From time to time, the mortgage industry will pass new regulations or amend existing regulations that impact the appraisal industry with respect to pricing. When this occurs, the Company's compliance personnel provides guidance relative to company-wide rate changes that may be needed to ensure financial viability and shareholder value. These changes are discussed and approved by Senior Management, then implemented accordingly.

Company management continues to regularly review and evaluate unsolicited merger and/or acquisition ("M&A") transactions - in diverse financial, resource and industrial business sectors.

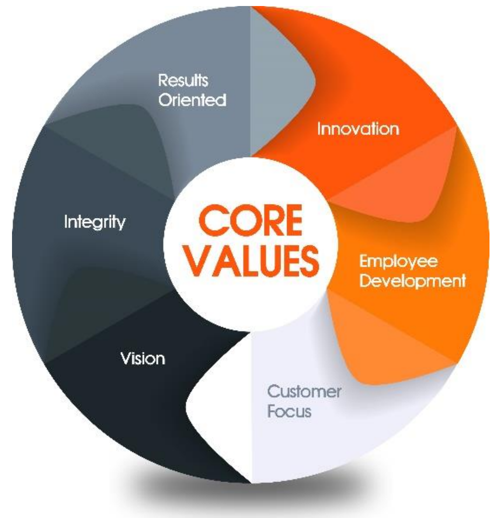
Starrex shares are traded on the Canadian Securities Exchange under symbol STX and on the OTC QB in the United States under symbol STXMF.

Copies of all relevant financial documents, including the annual and interim Company filings to date, may be referenced on the regulatory filings website **www.sedar.com.**

Core Values

Starrex is committed to its shareholders by consistently focusing on continued growth in volume, as well as positive net income per share. This is achieved by well managed operations and executing strategic operations.

Our primary focus in Property Interlink is results oriented customer service, with employee development a cornerstone to the success of the subsidiary.



Vision & Goals

- To acquire and invest in well managed, profitable businesses in a manner that creates value for all parties.
- To deliver the best level of service available in the appraisal management and real estate business sector.
- To provide business and financial transparency to our shareholders and investors.

For more information about Starrex, please see our website at **www.starrexintl.com.**

Operating Results

A summary of our financial results and discussion of revenue and expenses

Property Interlink has developed an internal staffing model which creates additional net profit for each appraisal that is completed. This model affords the Company more control over internal associates versus that over an independent contractor, which reduces turnaround time and improves process efficiency for appraisal management. This model was implemented during the first quarter of 2015, with generally increasing revenue earned per appraisal month over month.

The operations and revenue of Property Interlink are directly affected by United States housing market condition and trends.

	Q4 2016	Q3* 2016	Q2* 2016	Q1 2016	Q4* 2015	Q3* 2015	Q2* 2015	Q1* 2015
Income	1,733,693	1,839,948	1,698,277	1,335,990	1,308,835	1,504,880	1,589,415	1,494,474
Loss from continuing operations	(128,921)	(164,853)	(229,199)	(248,165)	(203,963)	(317,868)	(55,253)	(272,036)
Loss from discontinued operations	-	-	-	-	31,547	74,011	(230,839)	-
Loss and comprehensive loss	(128,921)	(164,853)	(229,199)	(248,165)	(172,416)	(243,857)	(286,092)	(272,036)
EBITDA	(220,272)	(135,086)	(195,504)	(216,612)	(225,382)	(186,636)	(231,502)	(123,892)
Total assets	3,915,057	4,047,008	4,050,910	4,230,945	4,271,665	4,460,543	5,245,125	5,491,961
Total liabilities	1,278,085	1,278,364	1,117,743	1,070,999	863,555	730,715	1,516,057	1,547,838
Shareholders' Equity	2,636,972	2,768,644	2,933,167	3,159,945	3,408,110	3,729,828	3,729,068	3,944,123
Net loss per share for continuing operations	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)	(0.00)	(0.02)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)

Financial Statements for this period have been Amended and Restated

EBITDA calculations for Q1, Q2 and Q3 of 2016 have been amended from previously issued Management's Discussion and Analyses for those periods, as a result of interest income incorrectly being omitted from the EBITDA calculations for those periods and now properly being included in the EBITDA calculations, as follows:

Quarter	Previously Stated	Restated
Q1 2016	(192,553)	(216,612)
Q2 2016	(171,445)	(195,504)
Q3 2016	(110,763)	(135,086)

During 2016, Property Interlink posted $6.521 million in revenue (operating income) (13,648 appraisals and final inspections completed) compared to $5.822 million during 2015. Property Interlink's revenue was higher by $699,036 for 2016 compared to 2015. This is directly attributable to the significant geographic expansion of Property Interlink during the period.

Revenue in Starrex, the parent company, is comprised of interest income only. During the year ended 2016, interest income was $87,352 compared to $76,084 during the same period in 2015. The increase is directly associated with two interest-bearing promissory notes received as consideration for the sale of One Force Staffing, Inc. and Olympia Capital Management, Inc.

Overall expenses for the year ended December 31, 2016 ($7,509,786) increased by approximately 11% over the year ended December 31, 2015 ($6,749,974). Expenses in Property Interlink are mostly normalized with expenses associated with professional services the only significant variable. The Company incurred an additional $188,831 in legal and professional fees associated with communications with the Ontario Securities Commission in support of the Company's restated consolidated interim and annual financial statements and associated MD&As during 2016.

The Company incurred a loss before provision for income taxes of $901,878 for the year ended December 31, 2016, compared to a loss of $852,370 for the year ended December 31, 2015. On a per share basis, for the year ended December 31, 2016, the Company's losses from continuing operations were ($0.05), compared to a loss of ($0.06) from the previous year.

	% of 2016 Expenses	2016	2015	Change	% Change
Salaries and benefits	73.00%	5,482,430	4,859,027	623,403	12.83%
Administrative & interest expense	10.95%	822,129	703,778	118,351	16.82%
Professional services	8.72%	654,893	466,062	188,831	40.52%
Depreciation and amortization	2.89%	216,707	197,596	19,111	9.67%
Share based payments	0.00%	-	99,022	(99,022)	-100.00%
Goodw ill impairment	0.00%	-	149,301	(149,301)	-100.00%
Management and corporate services	4.44%	333,627	275,188	58,439	21.24%
Total expenses	100.00%	$ 7,509,786	$ 6,749,974	$ 759,812	11.26%

About our fees

Appraisal fees are charged to customers for each appraisal completed. These fees are dependent upon the state in which the property is located, as well as size of the property, whether the property is rural or non-rural and other factors common in the industry.

Final review fees are charged to customers when repairs or new construction is involved. Similar to appraisal fees, these are dependent upon the state in which the property is located, as well as other factors common in the industry.

During the year ended December 31, 2016, the Company's current asset position increased by $1,771,523 from $633,229 at December 31, 2015 to $2,404,752 as at December 31, 2016. This is primarily due to the reclassification of the two promissory notes, which were non-current assets as at December 31, 2015. These notes (See Note 8 of the audited annual financial statements) are classified as current assets as at December 31, 2016.

Overall total assets decreased by $356,608 from $4,271,665 as at December 31, 2015 to $3,915,057 as at December 31, 2016.

Selected Financial Information	**Dec 31, 2016**	**Dec 31, 2015**	**Dec 31, 2014**
Income	$ 6,607,908	$ 5,897,604	$ 2,206,702
Loss from continuing operations	$ (771,138)	$ (849,120)	$ (1,596,140)
- per share (based and diluted)	(0.05)	(0.06)	(0.14)
Loss from discontinued operations	$ -	$ (125,281)	$ -
- per share (based and diluted)	-	(0.01)	-
Net comprehensive loss	$ (771,138)	$ (974,401)	$ (1,937,791)
-per share (based and diluted)	(0.05)	(0.07)	(0.15)
Total Assets	$ 3,915,057	$ 4,271,665	$ 5,672,606
Total Liabilities	$ 1,278,085	$ 863,555	$ 1,456,447
Non-current Liabilities	$ 168,974	$ 333,675	$ 885,143
Total Shareholder's Equity	**$ 2,636,972**	**$ 3,408,110**	**$ 4,216,159**

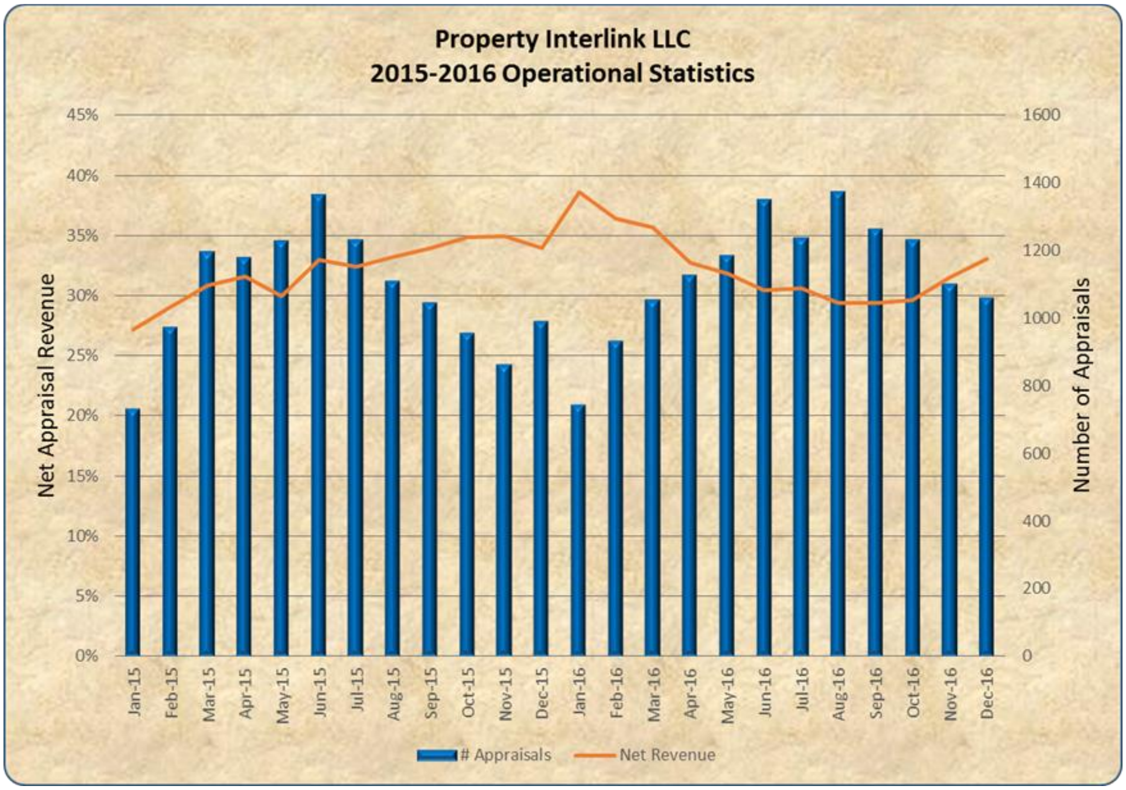
The Company was relatively inactive until the end of 2013 – except for a private placement financing for gross proceeds of $900,000 CAD, the issuance of shares to settle debts of $234,826 CAD and a change of management and directors in the fourth quarter of 2013. Management of the Company then embarked on a search for businesses to acquire and, in the third quarter of 2014, acquired three operating subsidiaries in the United States and completed a concurrent private placement financing for gross proceeds of $991,979 CAD. In the fourth quarter of 2014, the Company acquired a fourth subsidiary in the United States. In the second quarter of 2015, management decided to divest two of the subsidiaries recently acquired, implementing that decision in the third quarter.

Revenue and Key Performance Metrics

One of the Key Performance Indicators ("KPI") in Property Interlink is the calculation of revenue derived from each appraisal completed and their associated completion times. When monitoring this metric, the wages and independent contractor expenses are subtracted from the total revenue. As the dynamic business model shifts from assigning appraisals to independent contractors versus employees of the Company, this metric will increase and, subsequently, overall net income to the Company will increase.

Revenue for Property Interlink for the twelve-month period ended December 31, 2016 ($6,520,556), was $699,036 higher than the year ended 2015 ($5,821,520). Property Interlink not only performs appraisals for real estate mortgages but also provides inspections, which require significantly less effort and results in a lower fee collected.

The following depicts changes in net appraisal revenue, as well as monthly appraisal volume for Property Interlink.



Since the acquisition of Property Interlink in July of 2014, average volume has increased from 730 to 1,104 appraisals per month, reaching a peak of 1,374 in August of 2016. Seasonal cycles in the housing market historically trend lower from October through January and higher during the second and third quarters.

Net revenue per appraisal at the time of acquisition was 27% of gross revenues per appraisal. With the shift in business model to staff appraisals, margins initially increased and then have averages 32% for 2016..

The graph above depicts total number of appraisals performed month over month, as well as the difference between revenue received for appraisals and expenses directly associated with the completion of the appraisals.

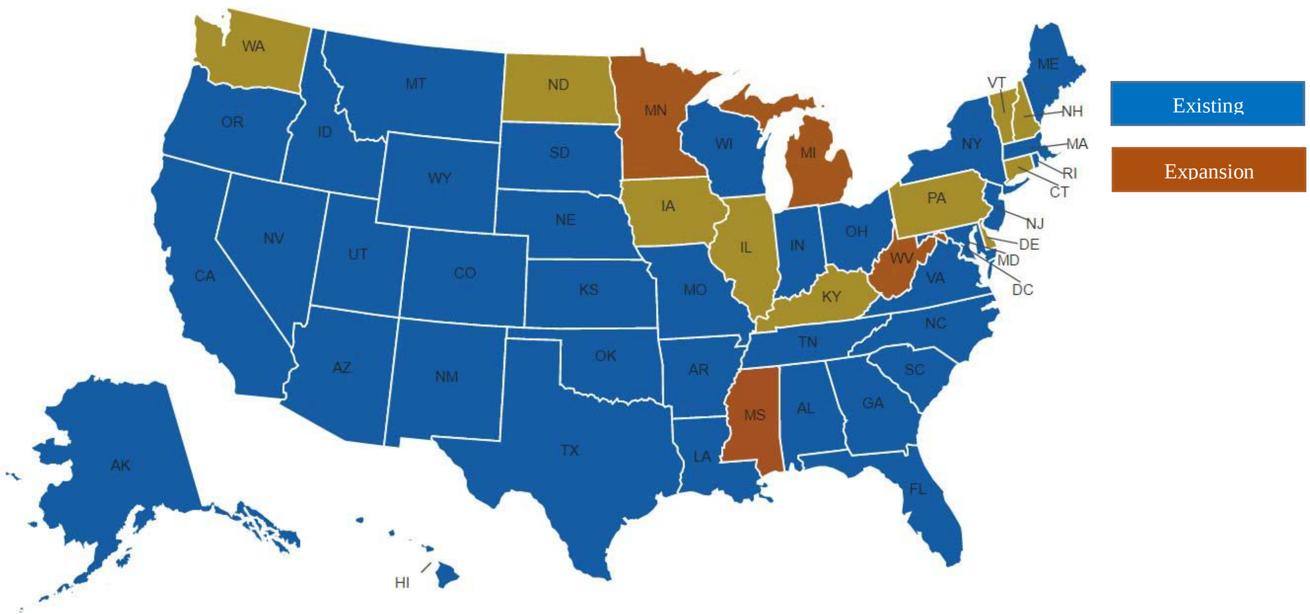
Geographic Concentration

A summary of appraisal licenses and future planning

Property Interlink is currently (year-end 2016) licensed in thirty eight jurisdictions in the United States (36 states plus one district and one territory), with plans to expand into several more by the end of 2017. This will expand the services footprint of the Company, which will significantly increase shareholder value as well as earnings per share in the future. This expansion aligns Property Interlink with existing banking relationships as those banks further their own growth. This strategic alignment also broadens the market in which subsequent acquisitions may be identified, which is the parent company's primary goal and objective.

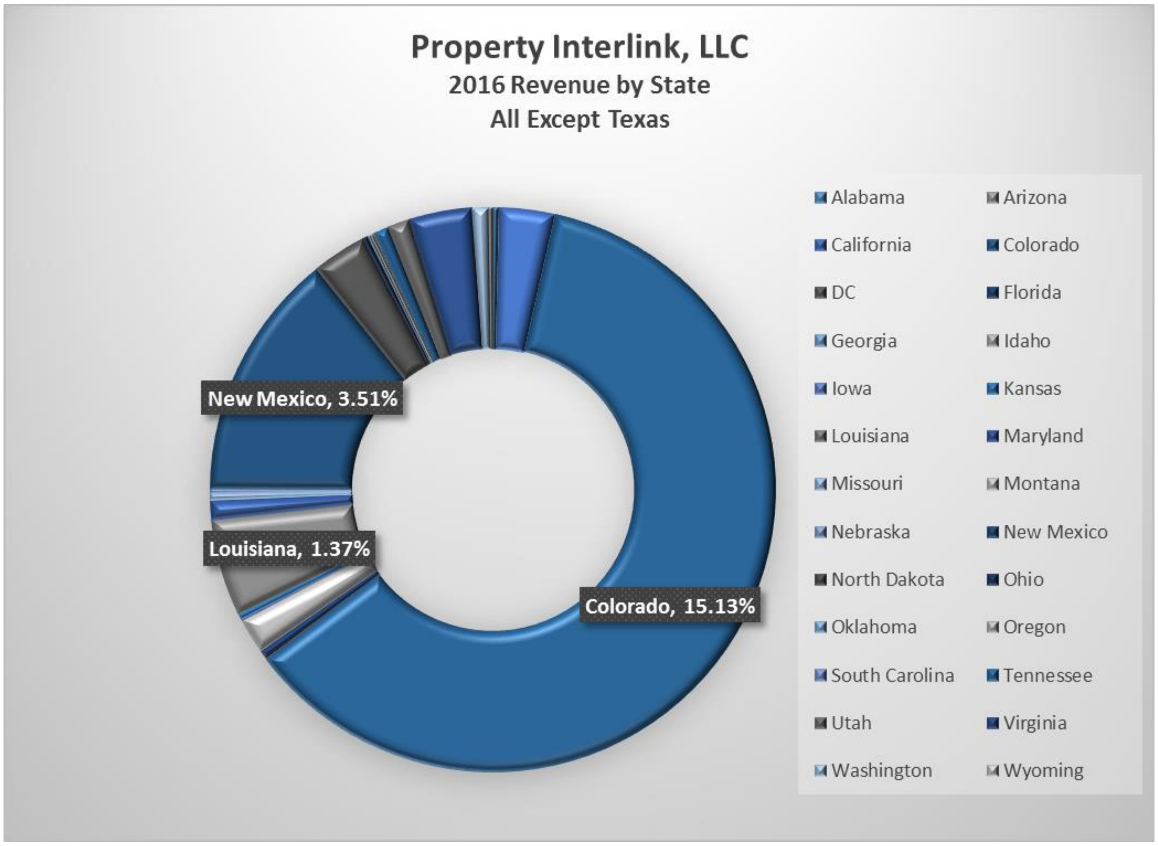
Starrex currently operates in:

Alabama	Maine	Oklahoma
Alaska	Maryland	Oregon
Arizona	Massachusetts	Puerto Rico
Arkansas	Missouri	Rhode Island
California	Montana	South Carolina
Colorado	Nebraska	South Dakota
Dist. Of Columbia		Tennessee
Florida	Nevada	Texas
Georgia	New Jersey	Utah
Hawaii	New Mexico	Virginia
Indiana	New York	Washington
Kansas	North Carolina	Wisconsin
Louisiana	Ohio	Wyoming



Appraisals in Texas comprised 75.27% (2015 – 78.55%) of the total volume in 2016 with Colorado comprising 15.13% (2015 – 13.87%). Property Interlink currently works most closely with a large mortgage originations company domiciled in Houston, Texas, which generated $4,201,866 (2015 - $4,572,737) in revenue for the year ended 2016. Colorado follows with $986,499 in revenue in 2016 (2015 - $392,380).

The chart below depicts revenue by state for Property Interlink for the year ended December 31, 2016.



Expenses

During 2016, our expenses were $7.5 million (2015 - $6.7 million). Professional expenses for the year were $654,893, an increase of $188,831 over 2015 ($466,062). This is largely due to communications with the Ontario Securities Commission and the restatement of the 2015 Annual Financial Statements and accompanying MD&A.

Depreciation and amortization expenses comprised $216,707 for the year ended 2016 (2015 - $197,596).

As a percent of revenue, appraisal expenses (commissions) were approximately 65.5% for the period. Property Interlink consistently and diligently recruits new staff appraisers to facilitate the staff appraisal model instead of hiring independent contractors to perform these services, because realized revenue to the Company is significantly decreased by using independent contractors.

Liquidity and financial position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

Cash

At December 31, 2016, Starrex held $97,975 in cash, compared to $176,457 as at December 31, 2015. Working and operating capital at December 31, 2016 was $1,295,641 compared to $103,349 at the prior year-end. This is primarily due to the maturity of the notes receivable within one year and are now classified as current assets.

At December 31, 2016, the Company had current assets of $2,404,752 ($633,229 at year-end in 2015) and current liabilities of $1,109,111 ($529,880 at year-end in 2015). The primary variance in assets the change in classification of the notes receivable from long-term assets to current assets. The increase in current liabilities is directly attributable to the accumulated payables associated with professional expenses during the year.

As at December 31, 2016, the Company had cash and cash equivalents of $97,975 (December 31, 2015 - $176,457) available to satisfy current liabilities of $1,109,111 (December 31, 2015 - $529,880). The Company has received accommodations from certain creditors and suppliers.

Cash flows

During 2016, the Company reported $5,525 in cash flows associated with operating activities, which is entirely attributable to the appraisal management subsidiary, Property Interlink, and $18,576 in investing activities to purchase equipment and intangible assets, which includes proprietary software developed to support Property Interlink's appraisal management platform. During the same period in 2015, the Company used $46,602 in operating activities and $220,692 in purchasing equipment and developing software. The Company used $65,431 for financing activities during 2016 (2015 - $113,395).

Liabilities

Current liabilities at the end of the current reporting period were $1,109,111, compared with $529,880 at the prior year-end. The variance of $579,235 is primarily attributable to the increase in accounts payable and accrued liabilities for professional fees during the year and deferred revenue which deferred revenue, at the 2016 year-end, was $253,035 (compared to $83,765 at the 2015 year-end). Deferred revenue in Property Interlink is comprised of prepaid amounts for appraisals that were not completed as of the applicable date.

Included in the current liabilities of the Company is a promissory note associated with the acquisition of Heinen & Associates effective November 19, 2014. This promissory note, originally in the aggregate principal amount of $250,000, carries 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. The Company recently re-negotiated the terms of this note. Commencing December 1, 2016, payments of $10,000, along with accrued interest, is payable monthly.

Financial position

The following is a discussion of the significant changes in our Statement of financial position.

Trade and other receivables

Trade and other receivables were $2,235,446 at December 31, 2016 ($2,338,932 at December 31, 2015).

Of the total outstanding receivables at the 2016 year-end, $1,930,000 are promissory notes associated with the sale of Olympia Capital Management, Inc. and One Force Staffing, Inc. Current trade accounts receivable as at December 31, 2016 were $305,446 compared to $408,932 as at December 31, 2015, showing an improvement in collections.

For additional information on Notes Receivable, see Note 8 of the annual consolidated financial statements.

Property, plant and equipment & Intangible assets

The development of intangible assets (principally appraisal licenses in new states) consumed $9,809 during 2016, with property, plant and equipment purchases totaling $8,767 during the year (2015 - $135,417 intangibles, $85,275 in property, plant and equipment purchases). The process of acquiring new licenses in additional states was initiated in 2015. The proprietary software developed for Property Interlink is largely completed with most of the development costs incurred during 2015.

Fourth Quarter

Due to the seasonal cycle in the housing market, the fourth quarter tends to be one of the lowest period in terms of the number of appraisals and reviews completed. Accordingly, revenue in the fourth quarter of 2016 declined to $1,718,782from $1,815,625 in the third quarter. The Company mitigated the economic downturn of the housing market with increased volume in states where licenses were newly acquired during the second half of the year. While the fourth quarter is generally the lowest, it was higher than the first quarter of 2016 ($1,335,990) and, in fact, was the second highest quarterly revenue in the history of the Company's appraisal business. This indicates an increasing revenue stream and, with significantly reduced professional fees anticipated for 2017, projects 2017 to be a transitional year toward annual profitable results..

The net comprehensive loss in the fourth quarter of 2016 was $128,921, the smallest quarterly loss since the first quarter of 2014 and evidence that management's acquisition and divesture program is achieving success.

2016 Budget Approach

The Company is focused on increasing shareholder value, as well as fiscal responsibility, while investing in the acquisition of real estate-based entities that complement Property Interlink's appraisal management business.

The Company considers Property Interlink to still be in development while the subsidiary spends working capital to expand its regulatory operating footprint within the United States. The additional spend associated with this expansion is expected to be completed by the end of the second quarter in 2017. Given the anticipated accounting and legal expenses for the parent, the Company, on a consolidated basis, does not expect to post positive net income on a consolidated basis until the third quarter of 2017.

Change of Functional Currency

On January 1, 2015, the Company changed its functional and reporting currency from the Canadian Dollar ("CAD") to the United States Dollar ("US"); therefore, when comparing financial statements issued for fiscal quarters and fiscal years prior to January 1, 2015, the comparative balances should be read with the currency change in mind. The quarterly and annual financial statements issued for periods after January 1, 2015 which incorporate financial information from prior periods which were initially presented in Canadian dollars have had that information converted into United States dollars for comparative purposes.

Restatements of Financial Statements and MD&A

On December 9, 2015, Starrex announced its intention to restate its 2015 second and third quarter unaudited financial statements as at and for the periods ended June 30 and September 30, 2015. On February 8, 2016, Starrex announced it would restate its 2014 audited financial statements following discussions with the Ontario Securities Commission (the "OSC") respecting the treatment of the subsidiaries acquired July 9, 2014. During this period, at the Company's request, the OSC issued a management cease-trade order (the "MCTO") prohibiting the Company's Chief Executive Officer and Chief Financial Officer from trading in the securities of Starrex until the necessary annual audited financial statements and unaudited quarterly financial statements, together with corresponding management's discussion and analysis, were restated and filed.

Subsequent to the original issuance of the Company's audited consolidated financial statements as at December 31, 2014, the Company determined that the share consideration issued in exchange for the acquisitions completed July 9, 2014 was incorrectly measured using the concurrent financing price of CAD $0.50 per share as set out in the acquisition agreements. The restated consolidated financial statements and MD&A reflect an increased value allocated to the share consideration issued in exchange for the acquisitions based on the trading price of the Company's stock on the close date of the acquisitions, being CAD $0.95 per share. Furthermore, the original issuance of the December 31, 2014 consolidated financial statements included an unallocated purchase price as management had not yet completed the measurement and recognition of identifiable assets and liabilities included in the purchase price allocation. The restated consolidated financial statements and MD&A include the finalized purchase price allocation which resulted in the recognition of additional intangible assets and amortization related thereto as well as goodwill. The restatement of the Company's consolidated financial statements and MD&A reflects amendments to intangible assets, goodwill, deferred tax liability, share capital and deficit as well as amortization of intangible assets and impairment of goodwill.

Share capital increased by $1,606,979 reflecting the difference between the original fair value estimate of CAD $0.50 per share set in the acquisition agreements and the final valuation of CAD $0.95 per share for the 3,780,000 shares issued for the acquisition of Property Interlink, LLC, One Force Staffing, Inc. and Olympia Capital Management, Inc. and the corresponding prices for the 50,000 shares issued for the acquisition of Brownlee Appraisal Services, Inc.

Included in the purchase price allocation are intangible assets attributable to employee non-compete agreements as well as established customer relationships in the acquired subsidiaries. In determining the fair value for customer relationships, the Company engaged a valuation firm and utilized the multi-period excess earnings method.

Values attributable to employee non-compete agreements were determined based upon the contractual parameters included in the agreements, applying those parameters to the discounted cash flow models used for determining future projections and applying a probability factor of the employee successfully competing in the marketplace. These amounts are amortized over four to five years.

Additional amortization expense of $88,623 was posted to accurately reflect the additional expense associated with the intangible assets identified in the purchase price allocation of the acquired subsidiaries during 2014, which have been discussed in the 2014 restated audited consolidated financial statements as well as the Management's Discussion and Analysis for the year ended December 31, 2014.

Subsequent to the original issuance of the Company's audited consolidated financial statements as at December 31, 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. These restated consolidated financial statements reflect that control had not been transferred as at the effective date of May 1, 2015 but was transferred on August 18, 2015.

Immediately before the initial classification as available for sale, the divested entities were measured at the lower of their carrying amount and the fair value less costs to sell. As a result of this assessment, an impairment of goodwill of Olympia Capital Management, Inc. was determined to be required in the amount of $149,301 during 2015. The goodwill impairment should have been reflected as a part of continuing operations and not as a part of discontinued operations as previously reported. The restatement adjustment had no impact on the overall net loss for the year.

Restated annual audited financial statements for the year ended December 31, 2015 were completed and filed on November 24, 2016. In addition, various restated quarterly financial statements and corresponding restated quarterly MD&As, as well as restated annual MD&A for 2015, were filed in late November 2016 and January 18, 2017 to complete Starrex's re-filings. The MCTO expired on January 20, 2017.

Segmented Information

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.

Selected financial information as at December 31, 2016 is presented by segment as follows:

	Property Interlink, LLC	Corporate	Total
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	$ 6,520,556	$ 87,352	$ 6,607,908
Expenses	$ 6,544,014	$ 965,772	$ 7,509,786
Operating income (loss) from continuing operations before provision for income tax	$ (23,458)	$ (878,420)	$ (901,878)

Use of Financial Instruments

The Company has not entered into any conventional or other financial instruments designed to minimize its investment risk, currency risk or commodity risk.

No off-balance sheet arrangements have been established nor are there any pending plans to do so.

The limited scale of the Company's current and foreseeable operations does not warrant consideration of any special financial undertakings or instruments.

Goodwill

The Company's annual goodwill impairment testing determined that the carrying value of the goodwill included in each of the Company's reportable segments (Note 7) did not exceed their value in use and as a result the Company did not report an impairment charge. The change in goodwill for the years ended December 31, 2016, 2015 and 2014 was as follows:

	Property Interlink, LLC		Total
Acquisitions July 9, 2014	$ 560,790	$	560,790
Initial impairment	(152,992)		(152,992)
Acquisition November 19, 2014	381,542		381,542
Impairment	(225,534)		(225,534)
Additional impairment	(5,033)		(5,033)
Effective currency translation	15,226		15,226
Balance, December 31, 2014	573,999	-	573,999
Acquisition June 1, 2015	47,133		47,133
Balance, December 31, 2016 and 2015	**$ 621,132**	**$**	**621,132**

Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day-to-day operating expenses.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and will make adjustments to it, if and when necessary, 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 modest current business and financial 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 year.

Income Taxes

The Company currently has a current tax recovery of $130,740 (2015 - $3,250), which is reported accordingly. Additionally, the Company reported $168,974 (2015 - $283,484) in deferred tax liabilities at December 31, 2016. Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Specifically, the Company recognized carrying values for the fixed and intangible assets through the acquisition of Property Interlink that had zero tax value. This resulted in the deferred tax liability reported as at December 31, 2016 and 2015.

The Company also carries the following in unrecognized tax assets as year-end:

Deferred income tax assets	2016	2015
Canadian net capital loss carried forward	$ 1,906,290	$ 1,568,210
Canadian non-capital losses carried forward	$ 2,602,500	$ 1,490,100
Share issuance costs	$ 11,010	$ 15,050

Promissory Notes Renegotiated

Effective April 26, 2016, Starrex successfully renegotiated the terms of the unsecured promissory notes in the amounts of $1,100,000 and $830,000 outstanding for the divestiture of One Force Staffing, Inc. and Olympia Capital Management, Inc., respectively. The notes carry an annual interest rate of 5% compounded monthly, with interest only payments due quarterly commencing July 14, 2016, with the full principal balance and any outstanding interest due April 14, 2017. Upon the occurrence and during the continuance of any event of default the promissory notes bear interest at a rate of 8% per annum.

Board and Management

Matthew Hill was appointed Chairman of the Board, President and Chief Executive Officer effective November 1, 2016.

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 $333,627 in management fees during the twelve months ended December 31, 2016 (December 31, 2015- $275,188) to the CEO, COO, CFO and Sr. VP 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 (until November 1, 2016), accounted for $4,201,866 in revenue to the Company through December 31, 2016 (December 31, 2015 - $4,572,737). As at December 31, 2016 $36,240 (December 31, 2014 – $82,173) of this related party revenue is included in accounts receivable on the audited consolidated statement of financial position.

Critical accounting estimates

Judgments, estimates and assumptions related to preparing IFRS financial statements.

The preparation of financial statements consistent with IFRS requires that management make judgments, estimates and assumptions that affect reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of the revenues and expenses for the periods. Although the 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 the consolidated financial statements are as follows:

- 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 value requires the use of estimates and assumptions related to future operating performance and discount rates. Differences in estimates and assumptions could have a significant impact on the financial statements. (See Note 7 of the 2016 annual consolidated financial statements.)

- 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.

- Significant judgment is involved in the assessment of the recoverable amount of the notes receivable. As at December 31, 2016, the note holders are in compliance with the terms of the amended promissory note receivables and the Company has collected all required interest payments. (See Note 8 of the 2016 annual consolidated financial statements.)

- 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.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer (the "Disclosure Committee") are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. The Disclosure Policy requires all staff employees to keep the Disclosure Committee fully apprised of all material information affecting the Company so that the Disclosure Committee may discuss and evaluate such information and determine the appropriateness and timing for public release, if so decided. Access to such material information by the Disclosure Committee is facilitated by the modest size of the Company's senior management group and the regular communications engaged in between them.

The Disclosure Committee, after evaluating the effectiveness of the Company's disclosure controls and procedures as of the end of the December 31, 2016 annual auditing period, concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have become known to them.

The Company's Disclosure Committee is also responsible for the design of internal controls over financial reporting. The fundamental issue has been determined to be ensuring that all transactions are properly authorized and identified and entered into a well-designed and clearly understood system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with generally accepted accounting principles, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisition or dispositions of assets can be detected.

The relatively small size of the Company makes the described identification and authorization process reasonably efficient and is considered to be an effective process for reviewing internal controls over financial reporting. To the extent possible, given the Company's modest business operations, and utilizing professional outsourcing for part or most of the process, the internal control procedures provide for the clear separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing cheques and completing and recording wire requests. As of December 31, 2016, the Company's Disclosure Committee concluded that the Company's system of internal controls is adequate and reasonably comparable to those of issuers of a similar size and business nature.

Risks and risk management

Risks and uncertainties facing us, and how we manage these risks

Business Risk

Starrex has established policies and procedures to identify, manage and control operational and business risks that may impact our financial position and our ability to continue ordinary operations. Management is responsible for ongoing control and mitigation of operational risk by ensuring the appropriate policies, procedures and internal controls are implemented, as well as ensuring that compliance measures are undertaken.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major chartered bank which is a high credit quality financial institution as determined by rating agencies.

For accounts receivable, we have strong credit policies and a vendor management program in place. Our general payment terms are "due upon receipt." However, we may be required to impair our balances for accounts receivable based upon quarterly analyses for collectability. As at December 31, 2016, no allowance for doubtful accounts was recorded (December 31, 2015 - $Nil).

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 capital in order to meet its liquidity requirements. As at December 31, 2016, the Company had cash and cash equivalents of $97,975 (December 31, 2015 - $176,457) available to satisfy current liabilities of $1,109,111 (December 31, 2015 - $529,880). The Company has received accommodations from certain creditors and suppliers and is planning a private placement financing to address its working capital requirements and liquidity issues.

Financial Risk

The Company maintains internal controls, including management oversight at both the parent and subsidiary levels, to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. The Company engages qualified professional advisors to audit its annual financial statements and provide advice as required to provide reasonable assurance of financial reporting and to assist in addressing any errors or inconsistencies.

Market Risk

The only significant market risk exposure to which the Company is currently exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on otherwise inactive cash balances at variable rates. The fair value of the Company's cash and cash equivalents are relatively unaffected by normal changes in short-term interest rates.

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 and stock options that are denominated in a foreign currency. As at December 31, 2016, the Company held immaterial amounts of cash and cash equivalents and accounts receivable in CAD currency and considers foreign currency risk to be low.

		December 31, 2016		December 31, 2015
Cash and cash equivalents	**$ CDN**	**61**	$ CDN	723
Accounts receivable		**495**		589
Accounts payable and accrued liabilities		**(215,185)**		(105,120)
Total	**$ CDN**	**(214,629)**	$ CDN	(103,808)

Federal and State Regulation

As at year-end 2016, we are subject to licensing requirements in many of the states in which we operate. The appraisal management business operated by Property Interlink is currently licensed and operating in thirty-eight jurisdictions (36 states plus one district and one territory). Of these states, Alabama, Idaho, Iowa, New Mexico, North Carolina, Oregon, South Dakota and Utah require surety bonds in the amounts of $25,000 each with Arizona, Arkansas, Colorado, Georgia, Louisiana, Missouri and Tennessee requiring $20,000. The Company is also required to provide surety bonds in the amounts of $100,000 each for Wyoming and Washington. We may become subject to additional registration or licensing requirements if we expand our businesses to additional services or to provide our services in additional states. We are in compliance with all licensing and bonding requirements in the jurisdictions in which we operate.

We cannot predict the impact of new or changed laws, regulations or licensing requirements, or changes in the ways that such laws, regulations or licensing requirements are enforced, interpreted or administered. Financial and mortgage servicing laws and regulations are complex, are subject to change and have become more stringent over time. It is possible that greater than anticipated regulatory compliance expenditures will be required in the future. We expect that continued government and public emphasis on regulatory compliance issues will result in increased future costs of our operations.

The Company mitigates this risk by with compliance monitoring and quarterly reviews of appraisal activity by state.

Acquisition Activities

Identifying, executing and realizing attractive returns on business combinations is highly competitive and involves a high degree of uncertainty. From time to time, the Company evaluates opportunities to acquire additional complementary businesses. Any resulting acquisitions may be significant in size, may change the scale of the Company's business, and may expose the Company to new geographic, political, operating, financial and other risks. Success in the Company's acquisition activities depends on the Company's ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Risks include the difficulty of assimilating the operations and personnel of any acquired companies, the potential disruption of the Company's ongoing business, the inability of management to maximize the Company's financial and strategic position through the successful integration of acquired assets and businesses, the maintenance of uniform standards, controls, procedures and policies, the impairment of relationships with customers and contractors as a result of any integration of new management personnel and the potential unknown liabilities associated with acquired businesses.

The Company may be affected by numerous risks inherent in the business operations which the Company acquires. For example, if the Company combines with a financially unstable business or an entity lacking an established record of sales or earnings, the Company may be affected by the risks inherent in the business and operations of a financially unstable or an undercapitalized entity. Although the Company's executive officers and directors will endeavor to evaluate the risks inherent in a particular target business, the Company cannot assure you that the Company will properly ascertain or assess all of the significant risk factors or that the Company will have adequate time to complete due diligence investigations. Furthermore, some of these risks may be outside of the Company's control and leave the Company with no ability to control or reduce the chances that those risks will adversely impact a target business.

In addition, the Company may need additional capital to finance an acquisition. Historically, the Company has raised funds through equity financing. However, the market prices for financial services are highly speculative and volatile. Accordingly, instability in prices may affect interest in such businesses and the development of such businesses that may adversely affect the Company's ability to raise capital to acquire complementary businesses. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Because the Company has not selected any specific additional target businesses, investors will be unable to ascertain the merits or risks of any particular target business' operations.

Internal Control over financial reporting

A summary of our internal control review results

During the year, the Company's internal control processes are reviewed and updated as necessary. During the year ended December 31, 2016, no significant deficiencies in internal control were identified.

Due to the fact that the Company was required to restate its audited financial statements as a result of the determination of the value of share consideration paid and price allocations made on acquisitions and the determination of change in control with respect to divested subsidiaries, additional controls have been put in place for mergers, acquisitions and divestitures. This may include the engagement of third party professionals to provide legal and financial opinions for future acquisitions and divestitures.

Share Capital

As at December 31, 2016, the share capital of the Company continued to be comprised exclusively of common shares. As a result of the acquisition of Brownlee Appraisal Services, Inc., the number of issued and outstanding common shares of the Company increased from 14,430,827 to 14,480,827 at the end of 2015; no additional shares were issued in 2016, the year under review. There are minimal dilutive securities outstanding or committed for issue, including, without limitation, options issued requiring the future issuance of new share capital by the Company.

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

	Number of common shares	**Amount**
Balance, January 1, 2015	14,430,827	$ 6,678,321
Acquisition of Brownlee Appraisal Services, Inc.	50,000	67,330
Balance, December 31, 2016 and 2015	**14,480,827**	**$ 6,745,651**

The Company has a stock option plan in respect of which it has granted options, generally with 5-year terms, on 750,000 shares (details of which are summarized in a table below). The Company's stock option plan (the "Plan") enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company from treasury at any time within a fixed period of time from the date on which the options are granted (usually 5 years) at an exercise price set at the time the options are granted. Under the terms of the Plan, the directors can grant options totaling up to 10% of the number of common shares outstanding. The following table shows the number of options currently outstanding and their respective exercise prices and expiry dates. All outstanding options are fully vested.

	Common Shares Under option	Number of Options Vested		Exercise Price	Expiry Date
Granted May 21, 2013	50,000 (1)	50,000	$	0.15(5)	May 21, 2018
Granted April 17, 2014	550,000 (2)	550,000		0.19(6)	April 16, 2019
Granted May 29, 2014	50,000 (3)	50,000		0.42(7)	May 29, 2019
Granted August 25, 2015	100,000 (4)	100,000		1.27(8)	September 1, 2020
	750,000	750,000		0.33	

(1) A Director of the Company holds these options.
(2) Directors of the Company hold these options.
(3) A Consultant of the Company holds these options.
(4) An Executive Officer of the Company holds these options.
(5) The exercise price is CAD $0.20.
(6) The exercise price is CAD $0.25.
(7) The exercise price is CAD $0.57.
(8) The exercise price is CAD $1.70.