

Starrex International Ltd.
Consolidated Financial Statements
December 31, 2017 and 2016
Expressed in U.S. Dollars

Table of Contents

December 31, 2017 and 2016

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Loss and Comprehensive Loss	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 – 24

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Starrex International Ltd.

We have audited the accompanying consolidated financial statements of Starrex International Ltd. and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starrex International Ltd. and its subsidiary as at December 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Starrex International Inc. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2017.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 30, 2018

Starrex International Ltd.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**Expressed in U.S. Dollars

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 572,548	\$ 97,975
Accounts receivable (Notes 6 and 8)	279,185	305,446
Prepaid expenses	21,172	71,331
Notes receivable (Note 8)	583,617	1,930,000
	1,456,522	2,404,752
Non-current assets		
Property and equipment, net of depreciation (Note 3)	192,598	271,848
Intangible assets (Note 4)	486,115	617,325
Goodwill (Note 7)	621,132	621,132
Total Assets	\$ 2,756,367	\$ 3,915,057
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 750,683	\$ 749,889
Deferred revenue	77,714	253,035
Note payable (Note 13)	-	90,191
Income taxes payable	-	16,000
	828,397	1,109,115
Long term liabilities		
Deferred tax liability (Note 11)	101,102	168,970
Total liabilities	929,499	1,278,085
Capital and reserves		
Share capital (Note 9)	6,779,711	6,745,651
Contributed surplus	230,196	247,226
Accumulated other comprehensive income	(261,534)	(261,534)
Deficit	(4,921,505)	(4,094,371)
Total equity	1,826,868	2,636,972
Total equity and liabilities	\$ 2,756,367	\$ 3,915,057

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

On behalf of the Board:

Signed: "Matthew D Hill"
Chairman

Signed: "Ronald Mann"
Director

Starrex International Ltd.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the fiscal years ended December 31, 2017 and 2016

Expressed in U.S. Dollars

	2017	2016
Income		
Revenue	\$ 7,574,793	\$ 6,520,556
Interest income (Note 8)	91,746	87,352
	7,666,539	6,607,908
Expenses		
Payroll expense	6,113,150	5,482,430
General and administrative	970,124	786,260
Professional fees	301,405	654,893
Management and corporate services (Note 6)	330,560	333,627
Depreciation and amortization (Notes 3 and 4)	219,850	216,707
Shareholder services	22,272	17,439
Government, regulatory and filing fees	18,252	13,381
Interest expense (Note 13)	1,677	5,049
Impairment on note receivable (Note 8)	516,383	-
	8,493,673	7,509,786
Loss before provision for income taxes	(827,134)	(901,878)
Recovery of income taxes (Note 11)	-	(130,740)
Net loss and comprehensive loss for the year	\$ (827,134)	\$ (771,138)
Basic and diluted loss per share	\$ (0.06)	\$ (0.05)
Weighted average number of common shares outstanding (Note 12)	14,485,211	14,480,827

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

Starrex International Ltd.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the fiscal years ended December 31, 2017 and 2016

Expressed in U.S. Dollars

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2015	14,480,827	\$ 6,745,651	\$ 247,226	\$ (3,323,233)	\$ (261,534)	\$ 3,408,110
Net loss for the year	-	-	-	(771,138)	-	(771,138)
Balance, December 31, 2016	14,480,827	\$ 6,745,651	\$ 247,226	\$ (4,094,371)	\$ (261,534)	\$ 2,636,972
Exercise of options	100,000	\$ 34,060	\$ (17,030)	\$ -	\$ -	\$ 17,030
Net loss for the year	-	-	-	(827,134)	-	(827,134)
Balance, December 31, 2017	14,580,827	\$ 6,779,711	\$ 230,196	\$ (4,921,505)	\$ (261,534)	\$ 1,826,868

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

Starrex International, Ltd.**Consolidated Statements of Cash Flows**

For the years ended December 31, 2017 and 2016

Expressed in U.S. Dollars

	December 31, 2017	December 31, 2016
Cash flows from operating activities		
Net loss for the year	\$ (827,134)	\$ (771,138)
Items not affecting cash:		
Depreciation and amortization	219,850	216,707
Impairment of notes receivable	516,383	-
Deferred income tax	(67,868)	(114,514)
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	(27,775)	103,486
Prepaid expenses	50,159	(23,491)
Accounts payable and accrued liabilities	2,470	614,596
Income tax payable	(16,000)	(16,230)
Deferred revenue	(175,321)	(8,940)
Cash provided by (used in) operating activities	(325,235)	5,525
Cash flows from investing activities		
Proceeds from note receivables	884,036	-
Purchase of property and equipment	(9,390)	(8,767)
Purchase of intangible assets	-	(9,809)
Cash provided by (used in) investing activities	874,646	(18,576)
Cash flows from financing activities		
Share issuance	17,030	-
Principal repayment on notes payable	(91,867)	(65,431)
Cash used in financing activities	(74,837)	(65,431)
Increase (decrease) in cash during the year	474,573	(78,482)
Cash and cash equivalents, beginning of year	97,975	176,457
Cash and cash equivalents, end of year	\$ 572,548	\$ 97,975

Supplemental Cash Flow Information (Note 15)

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

1. Business of the Company

Nature of Business

Starrex International Ltd., (“Starrex” or the “Company”), was incorporated on October 2, 1982 pursuant to the Canada Business Corporation Act. 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 consolidated financial statements were approved by the Board of Directors on April 30, 2018.

2. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended December 31, 2017.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise noted.

Basis of Presentation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of Consolidation

These consolidated financial statements include the Company and its wholly-owned subsidiary, Property Interlink, LLC. All subsidiaries at year end are 100% owned, directly or indirectly, and 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 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.

2. Significant Accounting Policies – continued

Business Combinations

A business acquisition is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits. A business consists of inputs and processes applied to those inputs that have the ability to create outputs that provide a return to the Company and its shareholders. A business need not include all of the inputs and processes that were used by the acquiree to produce outputs if the business can be integrated with the inputs and processes of the Company to continue to produce outputs. If the integrated set of activities and assets is in the research and development stage, and thus, may not have outputs, the Company considers other factors to determine whether the set of activities and assets is a business.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-controlling interest in an acquisition may be measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets.

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in profit or loss.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

2. Significant Accounting Policies - continued

Use of Estimates and Judgments

The preparation of financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. 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 consolidated financial statements are as follows:

- a) 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 consolidated financial statements.
- b) Significant judgment is involved in the determination of useful life for the computation of depreciation of property and equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.
- c) Significant judgment is involved in the assessment of the recoverable amount of the note receivable (Note 8). As at December 31, 2017, the note receivable was in default. An impairment expense of \$516,383 (December 2016 – \$NIL) was recognized during the year ended December 31, 2017, based on the assessment of the recoverable amount of the note receivable (See Note 18).
- d) 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 require a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates.

2. Significant Accounting Policies - continued

Functional Currency

Starrex International Ltd., the parent company and its subsidiaries have a functional of 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 USD. The presentation currency of these financial statements is USD.

Transactions denominated in foreign currencies (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.

Revenue Recognition

Appraisal Services

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.

Customers initiate appraisal requests with Property Interlink, LLC. Revenue is recognized from appraisal services when the requested appraisal report is provided to the customer and collection is reasonably assured.

Intangible Assets

The Company’s intangible assets consist of:

- Software licensed, acquired or developed;
- Proprietary software;
- Non-compete employment agreements; and
- Customer relationships.

The Company amortizes licensed software and proprietary software over its estimated useful life of 5 years on a straight-line basis. The Company amortizes non-compete employment agreements over the life of the agreement of 4-5 years. The Company amortizes its customer relationships over their estimated useful life of 5-10 years.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization methods of the intangible assets are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

2. Significant Accounting Policies - continued

Internally Generated Intangible Assets

The Company recognizes expenditures on research activities as an expense in the year in which it incurs the expenditures. It recognizes an internally-generated intangible asset arising from development if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditures attributable to the intangible asset during its development.

Financial Instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") are measured at their fair value with changes in fair value recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities (cash and cash equivalents are measured within Level 1 of the hierarchy);
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) for substantially the full term of the asset or liability; and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data and unobservable inputs supported by little or no market activity.

2. Significant Accounting Policies – continued

Financial Instruments - continued

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2017 and 2016:

All of the Company's financial instruments recorded at fair value through profit and loss are Level 2 instruments. The Company's financial instruments are comprised of the following:

Financial Assets	Classification
Cash and cash equivalents	Fair value through profit and loss
Accounts receivable	Loans and receivables
Notes receivable	Loans and receivables
Financial Liabilities	Classification
Accounts payable and accrued liabilities	Other financial liabilities
Notes payable	Other financial liabilities

Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of financial assets measured at amortized cost are calculated as the difference between the assets's carrying value and its fair value. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of Non-financial Assets

The non-financial assets of the Company are comprised of property and equipment, intangible assets and goodwill. For non-financial assets excluding goodwill, the Company assesses at each reporting date whether there is an indication that an asset or Cash Generating Unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, then the Company estimates the asset's recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the recoverable amount of the individual CGU or group of CGUs compared to the individual CGU or group of CGUs respective carrying amount(s). The recoverable amount is the higher of fair value less costs to sell and the value in use. Value in use is generally determined using the discounted cash flow method. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the individual CGU or group of CGUs.

2. Significant Accounting Policies - continued

Cash and Cash Equivalents

Cash and cash equivalents include deposits held with banks and other short-term highly liquid investments with original maturities of 3 months or less. All short-term highly liquid investments can be converted into cash at any time and are not subject to a penalty.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Stock-based Compensation

The Company has in effect a stock option plan (the "Plan") which is described in Note 10. The Plan allows Company employees, directors and officers to acquire shares of the Company for a specified option amount set on the date of grant. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

Loss Per Share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

2. Significant Accounting Policies - continued

Standards Issues or Amended Which Will be Adopted in Future Periods

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

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

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

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

3. Property and Equipment

	Furniture & Equipment	Leasehold Improvements	Total
Cost			
As at January 1, 2016	\$ 397,736	\$ 72,201	\$ 469,937
Additions	8,767	-	8,767
As at December 31, 2016	\$ 406,503	\$ 72,201	\$ 478,704
Additions	9,390	-	9,390
As at December 31, 2017	\$ 415,893	\$ 72,201	\$ 488,094
Accumulated depreciation			
As at January 1, 2016	\$ 103,368	\$ 17,748	\$ 121,116
Expense	75,426	10,314	85,740
As at December 31, 2016	\$ 178,794	\$ 28,062	\$ 206,856
Expense	78,325	10,314	88,640
As at December 31, 2017	\$ 257,119	\$ 38,376	\$ 295,496
Net book value			
As at December 31, 2016	\$ 227,709	\$ 44,139	\$ 271,848
As at December 31, 2017	\$ 158,774	\$ 33,825	\$ 192,598

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

4. Intangible Assets

	Business Software & Website (1)	Proprietary Software (2)	Non-Compete Agreements (3)	Customer Relationships (4)	Total
Cost					
As at January 1, 2016	\$ 67,113	\$ 190,568	\$ 142,843	\$ 492,135	\$ 892,659
Additions	-	9,809	-	-	9,809
As at December 31, 2016	\$ 67,113	\$ 200,377	\$ 142,843	\$ 492,135	\$ 902,468
Additions	-	-	-	-	-
As at December 31, 2017	\$ 67,113	\$ 200,377	\$ 142,843	\$ 492,135	\$ 902,468
Accumulated depreciation					
As at January 1, 2016	\$ 21,064	\$ 28,451	\$ 39,415	\$ 65,246	\$ 154,176
Expense	13,426	39,830	28,497	49,214	130,967
As at December 31, 2016	\$ 34,490	\$ 68,281	\$ 67,912	\$ 114,460	\$ 285,143
Expense	13,428	40,071	28,497	49,214	131,210
As at December 31, 2017	\$ 47,918	\$ 108,352	\$ 96,409	\$ 163,674	\$ 416,353
Net Book Value					
As at December 31, 2016	\$ 32,623	\$ 132,096	\$ 74,931	\$ 377,675	\$ 617,325
As at December 31, 2017	\$ 19,195	\$ 92,025	\$ 46,434	\$ 328,461	\$ 486,115

5. Operating Leases

The Company conducts operations from leased facilities in Texas and Colorado, all of which are classified as operating leases. The following is a schedule by years approximate of future minimum lease payments required under operating leases that have initial or remaining noncancelable terms in excess of one year as of December 31, 2017.

Year ending December 31:

2018	\$175,800
2019	\$133,400
2020	\$137,500
2021	<u>\$82,200</u>
Total	\$528,900

6. Related Party Transactions

AmCap Mortgage Ltd.

AmCap Mortgage Ltd., a related customer (by Director) accounted for \$4,877,625 (2016 - \$4,201,866) of revenue to the Company. As at December 31, 2017, \$35,557 (2016 - \$36,240) is included in accounts receivable on the consolidated statements of financial position.

Notes to the Consolidated Financial Statements*December 31, 2017 and 2016**Expressed in U.S. Dollars***Key Management Compensation**

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:

- i) The Company incurred \$330,560 in management fees in 2017 (2016 - \$333,500) to the Chief Operating Officer, Chief Executive Officer and Chief Financial Officer for services provided. These fees are included in management and corporate services. At December 31, 2017, all amounts had been paid.

7. Goodwill

Goodwill is not amortized, but is evaluated for impairment annually or when indicators of a potential impairment are present. The Company's impairment testing is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. 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 17) did not exceed their value in use and, as a result, the Company did not report an impairment charge. The change in net carrying amount of goodwill for the years ended December 31, 2017 and 2016 are as follows:

	Property Interlink, LLC	Total
Balance, December 31, 2015, 2016 and 2017	\$ 621,132	\$ 621,132

The recoverable amount was determined based on a value in use calculation which uses cash flow projections covering periods from 4 to 10 years and Weighted Average Cost of Capital ("WACC") rates as follows:

Reportable Segment:	2017 WACC	2016 WACC
Property Interlink, LLC.	20.0%	20.0%

8. 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. The promissory notes were originally payable in two equal installments of \$965,000 commencing November 30, 2015, the full balance due May 31, 2016.

Effective April 15, 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 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 December 31, 2017, the notes receivable are classified in current assets.

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

On April 14, 2017, the promissory notes for \$830,000 and \$1,100,000 received for the assets of One Force Staffing, Inc. and Olympia Capital Management, Inc., respectively, matured and became due and payable following a ten-day grace period, the notes were in default. However, on May 12, 2017, the promissory note for the assets of One Force Staffing, Inc. was collected including accrued interest. An impairment expense of \$516,383 was recognized on the promissory note received for the assets of Olympia Capital Management, Inc. for the year ended December 31, 2017 in consolidated statement of loss.

During the year ended December 31, 2017, the Company recorded interest income of \$91,746 (2016 - \$87,352) of which \$58,332 (2016 - \$20,622) is outstanding and included in accounts receivable.

9. Share Capital

Authorized

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

Issued	Number of Common shares	Amount
Balance, December 31, 2015 and 2016	14,480,827	\$ 6,745,651
Shares Issued - exercise of options	100,000	34,060
Balance, December 31, 2017	14,580,827	\$ 6,779,711

10. 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 exercise price, vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

	Number of options	Weighted average exercise price \$	Grant Date Fair Value
Outstanding, December 31, 2015 and 2016	750,000	0.33	1.33
Exercise of options	(100,000)	0.23	0.17
Outstanding, December 31, 2017	650,000	0.47	0.35

The exercise of options during 2017 were exercised by a Director of the Company.

	Common Shares Under Option	Number of Options Vested	Exercise Price⁽⁹⁾	Expiry Date	Weighted Average Remaining Life
Granted April 17, 2014	550,000 ⁽¹⁾	550,000	\$ 0.19 ⁽³⁾	April 17, 2019	1.29
Granted August 25, 2015	100,000 ⁽²⁾	100,000	\$ 1.31 ⁽⁴⁾	September 1, 2020	2.67

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

- (1) Directors of the Company hold these options. They are fully vested.
- (2) An Executive Officer of the Company holds these options. They are fully vested.
- (3) The exercise price is CAD \$0.25.
- (4) The exercise price is CAD \$1.70.

The Company incurred \$Nil in share-based payment expense for options in 2017, as all outstanding options vested prior to 2017 and no options were granted during 2016 and 2017.

11. Income Taxes

The following table shows the components of the current and deferred tax expense (recovery):

	2017	2016
Current tax provision		
Current tax (recovery) expense	\$ -	\$ (16,230)
Deferred tax (recovery)	-	(114,510)
	\$ -	\$ (130,740)

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective tax rate is as follows:

	2017	2016
Loss before recovery of income taxes	\$ (951,145)	\$ (901,878)
Expected income tax recovery	\$ (252,000)	\$ (239,000)
Difference in foreign tax rates	-	(1,760)
Tax rate changes and other adjustments	-	(171,380)
Non-deductible expenses	-	(52,990)
Unrealized foreign exchange	-	(3,340)
Change in tax benefits not recognized	(252,000)	337,730
Income tax recovery	\$ -	\$ (130,740)

Deferred Tax

The following table summarizes the components of deferred tax:

	2017	2016
Non-capital loss	\$ 8,861	\$ 7,656
Property and equipment	(35,043)	(47,120)
Intangible assets	(74,920)	(129,510)
Net deferred tax liability	\$ (101,102)	\$ (168,974)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

11. Income Taxes - continued

Deferred Tax - continued

Movement in net deferred tax liabilities:

		2017		2016
Balance, beginning of year	\$	(168,974)	\$	(283,484)
Recognized in net comprehensive loss		67,872		114,510
Balance, end of year	\$	(101,102)	\$	(168,974)

Unrecognized Deferred Tax

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. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2017		2016
Deferred income tax				
Canadian net capital loss carried forward	\$	2,211,000	\$	1,906,290
Canadian non-capital losses carried forward	\$	4,096,000	\$	2,602,500
Share issuance costs	\$	4,000	\$	11,010

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2026	\$	47,000
2027		48,000
2028		80,000
2029		70,000
2030		71,000
2031		105,000
2032		149,000
2033		553,000
2034		849,000
2035		1,174,000
2036		551,000
	\$	4,097,000

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

12. Net Loss per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding in 2017 of 14,485,211 (2016 – 14,480,827). All 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. Notes Payable

The promissory note had 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.

On December 1, 2016, the Company renegotiated the payment terms of the promissory note as follows: commencing December 1, 2016, payments of \$10,000 along with accrued and outstanding interest will be payable monthly.

As of December 31, 2017, the note payable has been paid in full and \$Nil remains outstanding (2016 - \$90,191).

14. 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 to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in equity as capital, which totals \$1,826,868 as at December 31, 2017 (2016 - \$2,636,972).

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 does not have externally imposed capital requirements.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2017 and 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Canadian Securities Exchange (“CSE”). The impact of any violation of CSE is not known and is ultimately dependent on the discretion of the CSE.

Notes to the Consolidated Financial Statements*December 31, 2017 and 2016**Expressed in U.S. Dollars***15. Supplemental Cash Flow Information**

	2017	2016
Operating cash flows include:		
Interest received	\$ 37,710	\$ 66,940

16. Financial Risk Factors

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities, and note payable. As at December 31, 2017, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following 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 December 31, 2017 and 2016, no allowance for doubtful accounts was recorded. The Company is also subject to credit risk on its notes 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 December 31, 2017 the Company had cash and cash equivalents of \$572,548 (2016 - \$97,975) available to settle current liabilities of \$828,397 (2016 - \$1,109,115).

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 and share-based payments (Note 10) that are denominated in a foreign currency. As at December 31, 2017, the Company held immaterial amounts of cash and cash equivalents and accounts receivable in CDN currency and considers foreign currency risk to be low.

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

The following table summarizes the Company's exposure to the CDN dollar:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	\$ CDN	772	\$ CDN	61
Accounts receivable		394		495
Accounts payable and accrued liabilities		(289,675)		(215,185)
Total	\$ CDN	(288,509)	\$ CDN	(214,629)

Concentration Risk

The Company has certain customers whose revenue individually represented 10% or more of the Company's total revenue. For the year-ended December 31, 2017, one customer accounted for 66% of the Company's total revenue (2016 – 64%). Additionally, two customers accounted for 37% of the Company's accounts receivable balances as at December 31, 2017 (2016 – 12%).

All of the Company's revenue for the year-ended December 31, 2017 and 2016, was in the United States.

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

17. 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.

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

Select financial information as at December 31, 2017 is presented as follows:

	Property Interlink, LLC	Corporate	Total
Current assets	\$ 235,941	\$ 636,964	\$ 872,905
Note receivable	-	583,617	583,617
Property and equipment	192,598	-	192,598
Intangible assets	486,115	-	486,115
Goodwill	621,132	-	621,132
Total Assets	\$ 1,535,786	\$ 1,220,581	\$ 2,756,367
Current liabilities	\$ 464,986	\$ 363,411	\$ 828,397
Long-term liabilities	101,102	-	101,102
Total liabilities	\$ 566,087	\$ 363,411	\$ 929,499
Revenues	\$ 7,574,793	\$ 91,746	\$ 7,666,539
Expenses	\$ 7,450,782	\$ 1,042,891	\$ 8,493,673
Operating income (loss) before provision for income tax	\$ 124,010	\$ (951,144)	\$ (827,136)

Starrex International Ltd.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

Expressed in U.S. Dollars

17. Segmented Disclosures – continued

Select financial information as at December 31, 2016 is presented as follows:

	Property Interlink, LLC	Corporate	Total
Current assets	\$ 444,012	\$ 1,960,740	\$ 2,404,752
Note receivable	-	-	-
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	\$ 727,510	\$ 381,605	\$ 1,109,115
Long-term liabilities	168,970	-	168,970
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) before provision for income tax	\$ (23,458)	\$ (878,420)	\$ (901,878)

18. Subsequent Events

- i) Effective February 9, 2018, the Company completed the acquisition of MFI Credit Solutions, LLC, a United States based entity. All of the assets in the entity were acquired for consideration of \$1,500,000.
- ii) Effective February 9, 2018 the Company granted to an outside consultant 50,000 options to purchase common shares of the Corporation with an option price of \$0.51 CDN. The options expire February 9, 2023 and vest immediately.
- iii) Effective January 23, 2018, the Company executed a note purchase agreement. In return for an aggregate sum of \$500,000, the Company issued to the lender a note convertible into shares with a conversion price of \$0.73, and with a maturity date of January 22, 2019. Interest shall accrue at 6% per annum.
- iv) Effective February 6, 2018 the Company received \$650,000 associated with the sale of assets of Olympia Capital Management to fulfill the outstanding note receivable (See Note 8).