



Management's Discussion and Analysis

For the Year Ended December 31, 2020

Introduction

Starrex International Ltd. (“Starrex” or the “Company”) is a publicly traded company, incorporated in 1982 under the Canada Business Corporations Act with its head office at 639 5th Avenue S.W., Calgary, Alberta T2P 0M9. Starrex’s common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “STX” and in the United States on the OTCQB market under the symbol “STXMF.”

The following Management Discussion and Analysis (“MD&A”) contains management’s interpretation of Starrex International Ltd.’s performance for the year ended December 31, 2020. While the financial statements reflect actual results. The MD&A explains these results from management’s perspective and provides the Company’s plans for subsequent periods ahead.

This MD&A was prepared as of April 27, 2021, and should be read in conjunction with our audited annual consolidated financial statements (“financial statements”) for the year ended December 31, 2020, and related notes. All amounts included in this MD&A are reported in U.S. dollars, unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Throughout this MD&A, Starrex International Ltd. and its subsidiaries are referred to as (“Starrex”) or (“the Company”), including the terms “we”, “us” and “our”. Additional information about the Company, including the Company’s Annual Information Form for the year ended December 31, 2020, can be found on SEDAR under the Company’s profile at www.sedar.com.

This MD&A was reviewed and approved by the Board of Directors on April 27, 2021.

Overview

Starrex International Ltd. (“Starrex”) is a national provider of real estate appraisal and credit reporting services to mortgage lenders and brokers in the United States of America. Our leading-edge technology platform and specialized business model provides a streamlined approach to our clients resulting in faster turnaround times.

We are committed to investing in our employees, delivering value to our customers, ethically managing our suppliers and professional networks, and supporting the outside communities within which we work. While each of our subsidiaries serves its own corporate purpose, they share a fundamental commitment to all of our shareholders – to deliver value, service and growth.

Credit Reporting Services

MFI Credit Solutions, LLC (“MFI”) (www.mfidata.com) is a full service credit reporting agency, with resources from all three national credit agencies – TransUnion, Equifax and Experian. MFI has been providing consumer credit reports to Mortgage Lenders, Mortgage Brokers, and Credit Unions for homebuyers considering the purchase or refinance of a home for more than 17 years. We are nationally recognized as a trusted provider of not only credit services, but risk mitigation, flood and verification services. MFI Credit Solutions, LLC is governed by the Fair Credit Reporting Act (FCRA) and has the ability to provide credit reports to borrowers in all states.

Appraisal Services

Property Interlink, LLC (“Property Interlink”) (www.propertyinterlink.com) is a full-service appraisal management company (“AMC”), managing a nationwide network of independent qualified real estate appraisers. An AMC provides a layer of oversight to the appraisal process assisting consumers in obtaining unbiased valuations for mortgage financing. Currently licensed in forty one states, Property Interlink provides an innovative and comprehensive selection of valuation and commercial appraisal management services to the Mortgage Industry.

A residential real estate appraisal is a licensed appraiser’s opinion of the market value of a residential property. The cost of an appraisal varies by type of appraisal conducted, property type and geographical location. The majority of our clients order residential appraisals for mortgage purchase or refinancing required by Government Sponsored Entity (“GSE”) requirements.

Reliable Valuation Service, LLC (“RVS”) (www.reliablevaluationservice.com) is a fully licensed staff appraisal company providing objective and comprehensive valuations of residential real estate to the mortgage industry with an employee appraiser model that provides a level of quality, control and consistency unmatched in the industry. We provide appraisals for appraisal management companies, including Property Interlink, mortgage brokers, lenders and banks. Pricing for these appraisal services is dependent upon location, property type, and type of appraisal requested.

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 provide 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.

Important Factors Affecting our Result from Operations

Our business is subject to a variety of risks and uncertainties. Please refer to the “Cautionary Note Regarding Forward-Looking Information” contained in this MD&A for a description of the risks that impact our business and that could cause our financial results to vary.

Impact of COVID-19

Operations

To date, our operations have not experienced any significant adverse effects as a result of COVID-19. Mortgage applications for refinances and purchases of residential real estate remained strong throughout the year. The average fixed 30-year mortgage decreased to 2.9% in December¹ - a historical low, which continues to strengthen mortgage refinance activity. Today, the refinance market remains high, which will continue to benefit our appraisal and credit services activity despite the COVID-19 pandemic.

In March 2020, the Federal Housing Agency (“FHA”) directed the GSEs to relax certain property appraisal and income verification standards in light of COVID-19. Appraisers are allowed to complete drive-by or desktop appraisals in certain circumstances when an interior inspection was not practical.

Customers and Communities

The health and well-being of our employees and clients, as well as our community, is our top priority. We have integrated social distancing in our processes in recognition of the significant impact COVID-19 has had on our employees, clients and the field professionals in our network and actively monitor the current situation, taking every step to help ensure a safe working environment.

As an essential service provider, our appraisers continue to provide the high level of service our clients expect. While some homeowners postponed valuation of their homes during this pandemic, most transactions are still being completed, while practicing social distancing to mitigate physical contact. We have not experienced a significant impact to volume or our ability to complete appraisals as of today.

Workforce

During the first quarter, we mandated, where possible, that all associates work from home. Following local and state guidelines, we reopened our offices. Currently, most of our employees have returned to the office. Technology implemented during the fourth quarter of 2019 ensured a seamless transition from our facilities to remote working environments, which has not had an impact on our ability to provide services to our client base or turn times.

Financial Condition

Starrex provides services to the financial services industry which has been deemed by the United States Department of Homeland Security to be an essential service. Accordingly, COVID-19 has not had a material adverse impact on our financial condition. The United States housing market is the primary driver of financial performance which is greatly influenced by cyclical trends and seasonality in mortgage originations and refinancing. Revenues are also impacted by the seasonal nature of the residential mortgage industry, with volumes surging higher during the second and third calendar quarters of the year as homebuyers typically purchase more homes during those months than any other.

Starrex continues to review and evaluate merger and/or acquisition (“M&A”) transactions in an ongoing effort to increase market share and geographic footprint in the real estate and mortgage services industries.

Our current assets are primarily comprised of cash and accounts receivable. Our foremost risk associated with current assets is the risk of credit losses attributable to receivables with large accounts and the potential impact of COVID-19. We performed a thorough review of amounts due, current customer volume and credit policy. To date, we have not changed our accounting policy for credit losses and a provision of loss is not required. The potential impact of COVID-19 is subject to significant uncertainty and while our

¹ Trading Economics, *United States MBA 30-Yr Mortgage Rate*

activity in credit and appraisal services remains strong, we realize the pandemic could have a substantial impact on our clientele. Our focus on collections has increased to mitigate credit risk as well as assess potential financial deficiencies.

Our long-term assets are primarily comprised of property and equipment, intangibles, goodwill and right-of-use assets. We assess the carrying value of property and equipment, intangibles and right-of-us assets as of each reporting period to determine if impairment is required in accordance with IFRS. Based upon our financial condition as at December 31, 2020, and as of the date of this Management’s Discussion and Analysis, we have determined the carrying value of these assets did not exceed its recoverable amount and have not recorded an impairment charge.

Goodwill and intangibles with indefinite life are not amortized but is evaluated for impairment annually or when indicators for 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. We evaluated goodwill and intangibles with indefinite life as at December 31, 2020, and have determined there is no indication of impairment.

Capital and Financial Resources

As of December 31, 2020, the Company had paid in full the outstanding principal balance of \$247,751 and accrued interest associated with the revolving line of credit facility (December 31, 2019 - \$247,751). We do not currently have any concerns regarding our ability to fulfill our financial obligations and while we do not anticipate the need to draw on our revolving credit facility, we will maintain the line to support working capital and potential acquisitions, if needed.

Due to the uncertainty of the impact COVID-19 may have on our operations, two of the U.S. subsidiaries participated in the CARES Act Paycheck Protection Program, which provided additional liquidity and ensures stability for our associates during the pandemic. On April 17, 2020, Property Interlink, LLC was granted \$664,500 and MFI Credit Solutions, LLC was granted \$126,100. Both loans matured on April 17, 2021 and bear an interest rate of 1% per annum, payable monthly commencing November 17, 2020. Both loans in the aggregate amount of \$790,600 were forgiven by the Small Business Administration effective November 11, 2020.

We continue to review our approach to capital on an ongoing basis, as well as monitor our credit risk from a client concentration perspective. We are not subject to externally exposed capital requirements and have not changed our capital risk management strategy in the past year.

Internal Controls

Our operations have remained largely unchanged as a result of COVID-19. Our financial reporting systems, internal control over financial reporting and disclosure controls and procedures remain unchanged as well. We have not experienced a significant change in our control environment that would have a material impact on our internal controls over financial reporting since last year.

Business Continuity

Our business continuity plans were successfully executed during the second quarter as associates transitioned to working from home. Capital expenditures and significant changes were made to infrastructure during 2019 in support of business continuity in the event of a disaster or situations that may arise, such as the COVID-19 pandemic. We do not expect additional capital expenditures.

Financial Performance

The following is a discussion of our consolidated financial condition and results of operations for the year ended December 31, 2020 and 2019.

Review of Operations for the year ended December 31, 2020

We conduct our business in the United States in four reportable segments:

Property Interlink, LLC	Appraisal Management Services
Reliable Valuation Service, LLC	Staff Appraisal Services
MFI Credit Solutions, LLC	Credit Reporting Services
Starrex International, LLC	Corporate

Consolidated

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue	\$ 17,051,127	\$ 12,076,289	\$ 4,974,838	41.2%	\$ 5,037,675	\$ 2,860,809	\$ 2,176,866	76.1%
Transaction costs	\$ 11,138,696	\$ 8,050,398	\$ 3,088,298	38.4%	\$ 3,381,287	\$ 1,882,290	\$ 1,498,997	79.6%
Operating expenses	\$ 4,568,926	\$ 4,617,631	\$ (48,705)	(1.1%)	\$ 1,379,544	\$ 1,528,049	\$ (148,505)	(9.7%)
Interest expense	\$ 24,885	\$ 34,826	\$ (9,941)	(28.5%)	\$ 7,058	\$ 6,407	\$ 651	10.2%
Depreciation and amortization	\$ 359,337	\$ 412,985	\$ (53,648)	(13.0%)	\$ 94,786	\$ 88,009	\$ 6,777	7.7%
Foreign exchange gain / (loss)	\$ 3,199	\$ -	\$ 3,199	100.0%	\$ 457	\$ -	\$ 457	100.0%
Government assistance	\$ 795,084	\$ -	\$ 795,084	100.0%	\$ 795,084	\$ -	\$ 795,084	100.0%
Tax expense	\$ 61,814	\$ -	\$ 61,814	100.0%	\$ 15,731	\$ -	\$ 15,731	100.0%
<i>Non-IFRS Measures</i>								
Net Revenue ²	\$ 5,912,431	\$ 4,025,891	\$ 1,886,540	46.9%	\$ 1,656,388	\$ 978,519	\$ 677,869	69.3%
EBITDA ²	\$ 2,135,390	\$ (591,740)	\$ 2,727,130	460.9%	\$ 1,071,471	\$ (542,170)	\$ 1,613,641	297.6%
Adjusted EBITDA ²	\$ 2,191,641	\$ (248,849)	\$ 2,440,490	980.7%	\$ 1,071,927	\$ (228,100)	\$ 1,300,027	569.9%

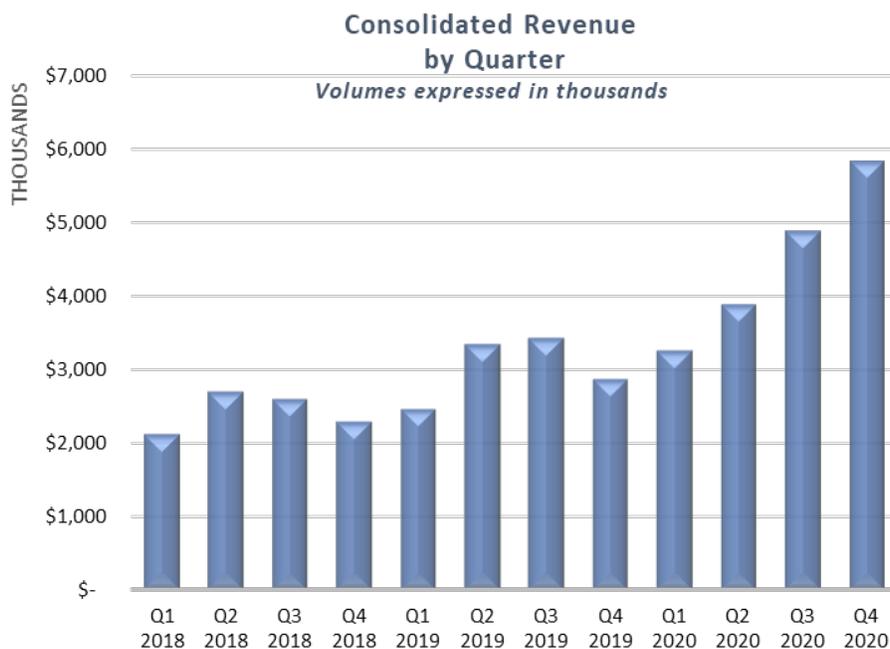
Year ended December 30, 2020

Revenues

Consolidated revenues for the year ended 2020 increased by 41.2% over the same period in 2019, primarily due to higher mortgage refinancing and mortgage purchase applications in the United States. Each of the wholly owned subsidiaries experienced increased organic growth of customer sales due to the increased efforts of our sales team.

Transaction Costs

Transaction costs include expenses directly associated with a contractual revenue transaction. This includes appraisal costs and commissions as well as expenses directly correlated with producing credit reports. On a consolidated basis, transaction costs increased by 38.4% during the twelve months ended December 31, 2020 as a result of higher appraisal and credit reporting volumes.



² See Page 11, "Non IFRS Measures for definitions and calculations".

Operating Expenses

On a consolidated basis, operating expenses decreased slightly (1.1%) from \$4,568,925 for the year ended December 31, 2020, compared to \$4,617,631 reported as of December 31, 2019, while revenue increased by 41.2%. Our consolidated operating expenses were offset by lower lease expenses due to our adoption of IFRS 16, *Leases* (“IFRS 16”).

Depreciation and Amortization

Depreciation and amortization of fixed and intangible assets declined due to fully depreciated or amortized assets acquired through the purchase of subsidiaries in previous years. This decline was partially offset by higher depreciation attributable to right-of-use assets capitalized as a result of our adoption of IFRS 16. The company, on a consolidated basis, recognized a \$155,787 benefit in EBITDA² and Adjusted EBITDA² as a result of our adoption of IFRS 16.

Net Revenue², EBITDA² and Adjusted EBITDA²

On a consolidated basis, Net Revenue, EBITDA and Adjusted EBITDA increased substantially as a result of historically low interest rates driving an increase in mortgage applications during the twelve months ended December 31, 2020. Also contributing to the shift from negative EBITDA and Adjusted EBITDA during the first half of 2019 to a positive result in 2020 are infrastructure and operational changes which lowered the Company’s overhead.

MFI Credit Solutions, LLC and Property Interlink, LLC participated in the CARES Act Paycheck Protection Program. During the fourth quarter, a total of \$790,600 was forgiven by the Small Business Administration and reported as government assistance.

During the fourth quarter of 2019, the Company segregated appraisal management activities from those of staff appraisals, reporting AMC business in Property Interlink and staff activity in RVS. For comparative purposes pertinent data has been extrapolated and presented in the individual segment discussions in this Management’s Discussion and Analysis.

MFI Credit Solutions, LLC

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue	\$ 5,032,775	\$ 3,681,309	\$ 1,351,466	36.7%	\$ 1,309,561	\$ 828,820	\$ 480,741	58.0%
Transaction costs	\$ 3,064,540	\$ 2,361,741	\$ 702,799	29.8%	\$ 811,040	\$ 516,319	\$ 294,721	51.7%
Operating expenses	\$ 1,337,804	\$ 1,176,156	\$ 161,648	13.7%	\$ 426,712	\$ 301,938	\$ 124,774	40.9%
Interest expense	\$ 715	\$ -	\$ 715	100.0%	\$ 715	\$ -	\$ 715	100.0%
Management fees	\$ 184,356	\$ 138,000	\$ 46,356	33.6%	\$ 46,089	\$ 34,500	\$ 11,589	33.6%
Depreciation and amortization	\$ 112,102	\$ 111,863	\$ 239	0.2%	\$ 28,932	\$ 28,317	\$ 615	2.2%
Government assistance	\$ 126,815	\$ -	\$ 126,815	100.0%	\$ 126,815	\$ -	\$ 126,815	100.0%
Tax expense	\$ 6,500	\$ -	\$ 6,500	100.0%	\$ 1,500	\$ -	\$ 1,500	100.0%
<i>Non-IFRS Measures</i>								
Net Revenue ¹	\$ 2,095,049	\$ 1,319,568	\$ 775,481	58.8%	\$ 496,521	\$ 312,501	\$ 184,020	58.9%
EBITDA ¹	\$ 572,889	\$ 15,684	\$ 557,205	3552.7%	\$ 150,535	\$ (24,937)	\$ 175,472	703.7%
Adjusted EBITDA ¹	\$ 757,245	\$ 153,684	\$ 603,561	392.7%	\$ 196,624	\$ 9,563	\$ 187,061	1956.1%

Revenues

During the year ended December 31, 2020, MFI generated \$5,032,775 in revenue – an increase of 36.7% over the same period in 2019. This revenue is derived from the delivery of consumer credit reports, consumer tax reports and related information gathering activities, such as verifications of employment and fraud, and is due primarily to the increased volumes of refinancing and purchasing activity in the United States. MFI continues to expand its client base through organic growth as a result of internal sales efforts.

Transaction Costs

Transaction costs attributable to the credit reporting business segment were higher by 29.8% for the 2020 compared to the same period in 2019 due to higher volumes of credit reports, tax transcripts and verification activity. Our costs are set by the three national credit reporting bureaus and is based upon volume. We anticipate reporting lower transaction costs as the credit reporting business segment continues to see growth and sustains increased credit reporting activity, further increasing our net revenue margins.

Operating Expenses

Operating expenses in MFI Credit Solutions, LLC increased by \$161,648 for the year ended December 31, 2020 compared to the same period in 2019. This increase was expected in normal course of business growth.

Management Fees

We monitor the operating results of each segment separately for the purpose of making decisions about Corporate resource allocation and intercompany expenditures quarterly. For additional information regarding management fees and subsequent allocation, please refer to the Corporate section.

Depreciation and Amortization

MFI Credit Solutions, LLC was acquired in February of 2018. All fixed and intangible assets are depreciated and amortized over 5 years for equipment, 7 years for furniture, and 5 years for certain intangible assets. As such, expenses remain unchanged.

Net Revenue², EBITDA² and Adjusted EBITDA²

Due to the surge of refinancing and purchase activity during 2020, MFI experienced a significant increase in Net Revenue, 49.2% over the year ended December 31, 2019. MFI reported \$715 in interest expense for the year ended December 31, 2020, which was associated with the CARES Act Paycheck Protection Program note payable. Expenses associated with interest, leases and certain other Corporate expenditures are accounted for in the management fees of \$184,356 for the year ended December 31, 2020.

Property Interlink, LLC

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue	\$ 7,721,740	\$ 8,328,373	\$ (606,633)	(7.3%)	\$ 2,524,582	\$ 2,001,467	\$ 523,115	26.1%
Transaction costs	\$ 5,798,884	\$ 5,658,077	\$ 140,807	2.5%	\$ 1,921,400	\$ 1,352,257	\$ 569,143	42.1%
Operating expenses	\$ 1,525,832	\$ 2,393,646	\$ (867,814)	(36.3%)	\$ 423,198	\$ 624,821	\$ (201,623)	(32.3%)
Interest expense	\$ 17,965	\$ 17,123	\$ 842	4.9%	\$ 6,342	\$ 3,771	\$ 2,571	68.2%
Management Fees	\$ 209,580	\$ 408,000	\$ (198,420)	(48.6%)	\$ 52,395	\$ 102,000	\$ (49,605)	(48.6%)
Depreciation and amortization	\$ 210,901	\$ 255,744	\$ (44,833)	(17.5%)	\$ 56,562	\$ 50,937	\$ 5,625	11.0%
Government assistance	\$ 668,269	\$ -	\$ 668,269	100.0%	\$ 668,269	\$ -	\$ 668,269	100.0%
Tax expense	\$ 37,292	\$ 34,337	\$ 3,292	100%	\$ 9,260	\$ -	\$ 9,260	100.0%
<i>Non-IFRS Measures</i>								
Net Revenue ²	\$ 1,922,856	\$ 2,670,296	\$ (747,440)	(28.0%)	\$ 603,182	\$ 649,210	\$ (46,028)	(7.1%)
EBITDA ²	\$ 855,713	\$ (131,350)	\$ 987,063	751.5%	\$ 795,858	\$ (77,611)	\$ 873,469	1125.4%
Adjusted EBITDA ²	\$ 1,065,293	\$ 276,650	\$ 788,643	285.1%	\$ 848,253	\$ 24,389	\$ 823,864	3378.0%

Revenues

Starrex fully segregated appraisal activity effective January 1, 2020. Property Interlink, LLC reports only appraisals completed by the appraisal management company while employee staff appraisals are completed by Reliable Valuation Service, LLC. As a result of this segregation, comparison data above, while accurate at the entity level, does not adequately segregate and compare AMC appraisal activity for the years ended 2020 and 2019. During the year ended December 31, 2019, the Company reported all appraisal activity in Property Interlink. The table below provides further insight into the fully segregated AMC appraisal activity for comparison purposes:

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenues	\$ 7,721,740	\$ 4,971,532	\$ 2,750,208	55.3%	\$ 2,524,582	\$ 1,191,735	\$ 1,332,847	111.8%
Transaction costs	\$ 5,798,884	\$ 4,013,975	\$ 1,784,909	44.5%	\$ 1,921,400	\$ 930,601	\$ 990,799	106.5%
<i>Non-IFRS Measures</i>								
Net Revenue ¹	\$ 1,922,856	\$ 957,557	\$ 965,299	170.6%	\$ 603,182	\$ 261,134	\$ 342,048	131.0%
%Net Revenue Margin ¹	24.9%	19.3%	5.6%	60.3%	23.9%	21.9%	2.0%	9.0%
Volume	12,404	8,501	3,903	45.9%	3,923	1,696	2,227	131.3%

Revenues attributable to appraisal management for the twelve months ended December 31, 2020, increased by 55.3% when compared to the same period in 2019 for AMC activity. This is due to the reasons previously discussed, as the United States mortgage industry remained strong throughout the year with historically low interest rates.

Transaction costs and Net Revenue²

The increase in transaction costs was due to increased volume of appraisals completed during year ended December 31, 2020. Property Interlink reported a 24.9% net revenue margin for the year ended December 31, 2020 – a 60.3% increase over the same period in 2020.

Operating Expenses

Operating expenses associated with appraisal management activity were completely segregated effective January 1, 2020, and reported in Property Interlink accordingly. Overall expenses in this segment decreased by \$867,814, or 36.3% for the year ended December 31, 2020, which was expected as the two lines of business began to operate as distinctly unique segments.

Management Fees

We monitor the operating results of each segment separately for the purpose of making decisions about Corporate resource allocation and intercompany expenditures quarterly. Due to the fact that Reliable Valuation Service was not operational during 2019, all of the management fees associated with appraisal activity were reported in Property Interlink, LLC for the year ended 2019. After reallocation adjustments, we reported \$209,580 in management fees for the year ended December 31, 2020 compared to \$408,000 during the same period last year.

Depreciation and Amortization

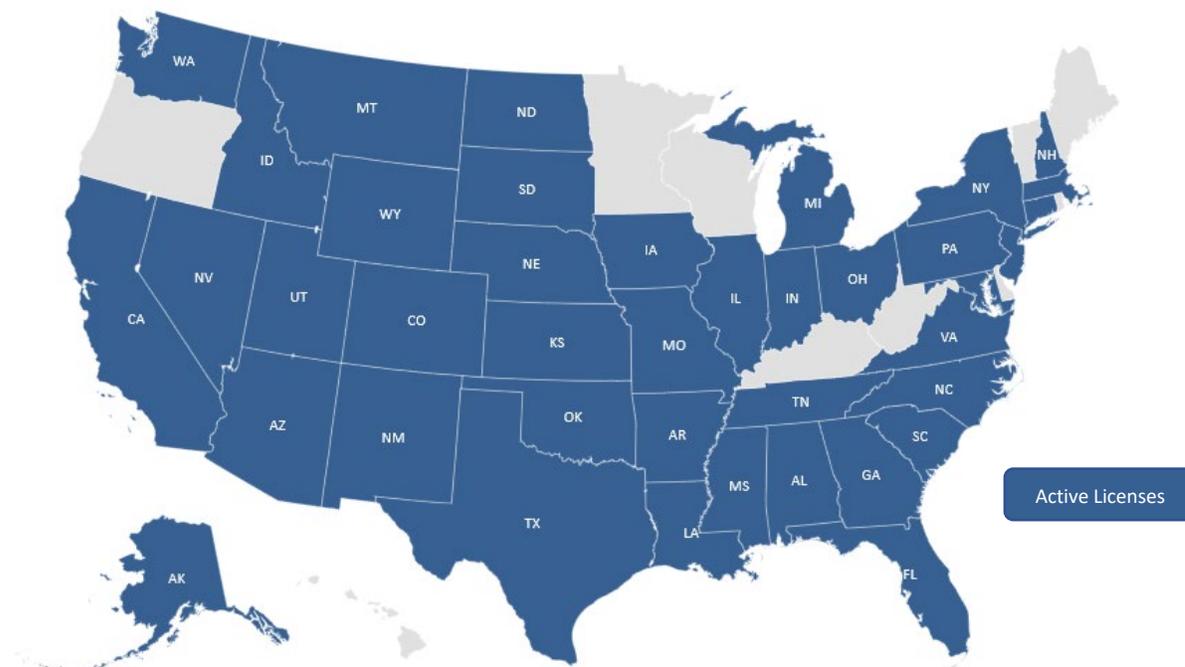
All of the fixed and intangible assets acquired upon purchase of the entity in 2014 remain on the books and records of Property Interlink after establishing RVS and subsequent segregation. Depreciation and amortization of fixed and intangible assets declined due to fully depreciated or amortized assets acquired through the purchase of subsidiaries in previous years. All of the right-of-use assets and liabilities associated with leases under IFRS 16 are reported in Property Interlink. For the period ended December 31, 2020, we recognized a \$155,787 benefit in EBITDA² and Adjusted EBITDA² as a result of our adoption of IFRS 16.

EBITDA² and Adjusted EBITDA²

Similar to that of MFI, Property Interlink reported a significant increase in Net Revenue associated with the increase in overall activity for the year ended December 31, 2020. When normalized for comparison of appraisal management activity for the year ended 2020 and 2019, overall Net Revenue increased by 100.8%.

Compliance and Statistics

Property Interlink, LLC is currently licensed and operates in forty one states and jurisdictions in the United States. The map below depicts our licensure, both active and non-licensed. The majority of our revenue is generated from appraisal activity in Texas. Isolated comparative data for appraisal management activity by state for 2019 was not available; however, overall revenue generated in Texas for the year ended December 31, 2020 was 64.36%.



Reliable Valuation Service, LLC

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenue	\$ 4,296,612	\$ 66,607	\$ 4,230,005	6350.7%	\$ 1,203,532	\$ 30,522	\$ 1,173,010	3843.2%
Transaction costs	\$ 2,275,272	\$ 30,580	\$ 2,244,692	7340.4%	\$ 648,847	\$ 13,714	\$ 635,133	4631.3%
Operating expenses	\$ 1,022,188	\$ 5,817	\$ 1,016,371	17472.4%	\$ 304,571	\$ 1,757	\$ 302,814	17234.7%
Interest expense	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
Management Fees	\$ 152,064	\$ -	\$ 152,064	100.0%	\$ 38,016	\$ -	\$ 38,016	100.0%
Depreciation and amortization	\$ 956	\$ -	\$ 956	100.0%	\$ 447	\$ -	\$ 447	100.0%
Tax expense	\$ 17,000	\$ -	\$ 17,000	100.0%	\$ 4,250	\$ -	\$ 4,250	100.0%
<i>Non-IFRS Measures</i>								
Net Revenue ¹	\$ 2,021,340	\$ 36,024	\$ 1,985,316	5511.1%	\$ 554,685	\$ 16,808	\$ 537,877	3200.1%
EBITDA ¹	\$ 847,088	\$ 30,210	\$ 816,878	2704.0%	\$ 212,098	\$ 15,051	\$ 197,047	1309.2%
Adjusted EBITDA ¹	\$ 999,152	\$ 30,210	\$ 968,942	3207.4%	\$ 250,114	\$ 15,051	\$ 235,063	1561.8%

Revenues

Operations for the staff appraisal revenue channel commenced January 1, 2020. Revenue associated with employee staff appraisal activity was \$4,296,612 for the year ended December 31, 2020, an increase of \$4,230,005 over the same period in 2019. While Starrex began transitioning staff activity in 2019, revenue and expenses were nominal. Because RVS was fully segregated in January of 2020, data for this revenue channel was extrapolated and illustrated below for comparative purposes:

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenues	\$ 4,296,612	\$ 3,414,998	\$ 881,614	25.8%	\$ 1,203,532	\$ 840,082	\$ 363,451	43.3%
Transaction costs	\$ 2,275,272	\$ 1,674,682	\$ 600,590	35.9%	\$ 648,849	\$ 455,618	\$ 193,231	42.4%
<i>Non-IFRS Measures</i>								
Net Revenue ¹	\$ 2,021,340	\$ 1,740,316	\$ 281,025	16.1%	\$ 544,683	\$ 384,464	\$ 170,220	44.3%
%Net Revenue Margin ¹	47.0%	51.0%	(3.9%)	(7.7%)	46.1%	45.8%	0.3%	0.7%
Volume	9,011	7,243	1,768	24.4%	2,443	1,714	729	42.5%

The increase in revenue for staff appraisal activity for the year ended December 31, 2020, was 25.8%, which resulted in an additional \$881,614 in revenues associated with staff activity. This is due to the reasons stated in previously discussed segments.

Transaction Costs and Net Revenue²

The increase in transaction costs is attributable to the growth in appraisal volume for the year ended December 31, 2020. Net revenue margins decreased 7.7% from the year ended December 31, 2020 to the same period in 2019, which is a result of additional costs associated with appraiser trainees and increased commissions paid to appraisers.

Operating Expenses

As a percent of revenue, general and administrative expenses were 3.92% (\$168,627) with wages and benefits 20% (\$853,561). RVS did not report material operating expenses for 2019 for comparative purposes. Overall expenses are normalized without any reported outliers for the twelve months ending December 31, 2020.

Management Fees

We monitor the operating results of each segment separately for the purpose of making decisions about Corporate resource allocation and intercompany expenditures quarterly. Due to the fact that Reliable Valuation Service was not operational during 2019, all of the management fees associated with appraisal activity were reported in Property Interlink, LLC for the year ended 2019. After reallocation adjustments, we reported \$152,064 in management fees during the year ended December 31, 2020 for RVS.

EBITDA² and Adjusted EBITDA²

Net revenue was \$2,021,340 for the year ended December 31, 2020 with EBITDA of \$847,088.

Geographic Concentration

Reliable Valuation Service provided residential appraisals for appraisal management companies and consumers in Texas and Colorado during 2020. Texas represented 88% of overall volume with the remaining 12% in Colorado for the year ended December 31, 2020.

Starrex International, Ltd. – Corporate and other items

	Year ended December 31, 2020				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Operating expenses	\$ 419,490	\$ 379,881	\$ 39,679	10.4%	\$ 172,423	\$ 191,713	\$ (19,200)	(10.0%)
Depreciation & amortization	\$ 35,378	\$ 45,378	\$ (10,000)	(22.0%)	\$ 8,844	\$ 8,845	\$ (1)	0.0%
Interest expense	\$ 6,205	\$ 17,703	\$ (11,498)	(64.9%)	\$ -	\$ 2,546	\$ (2,546)	(100.0%)
Mgmt. & Corporate Services	\$ 210,560	\$ 319,310	\$ (108,750)	(34.1%)	\$ 52,640	\$ 86,390	\$ (33,750)	(39.1%)
Management Fees	\$ (546,000)	\$ (546,000)	\$ -	0.0%	\$ (136,500)	\$ (136,500)	\$ -	0.0%
Foreign exchange (gain) loss	\$ 3,199	\$ -	\$ 3,199	100.0%	\$ 459	\$ -	\$ 459	100.0%
Share-based expense	\$ 53,052	\$ 342,891	\$ (289,839)	(84.5%)	\$ -	\$ 314,070	\$ (314,070)	(100.0%)
Tax expense	\$ 1,021	\$ -	\$ 1,021	100.0%	\$ 721	\$ -	\$ 721	100.0%
<i>Non-IFRS Measures</i>								
EBITDA	\$ (140,301)	\$ (496,012)	\$ 355,711	71.7%	\$ (89,022)	\$ (455,583)	\$ 366,561	80.5%
Adjusted EBITDA	\$ (630,050)	\$ (699,121)	\$ 69,071	9.9%	\$ (225,064)	\$ (278,103)	\$ 53,039	19.1%

Operating Expenses

Operating expenses reported at the Corporate level increased by \$39,679 for the year ended December 31, 2020, compared to the same period in 2019. This is attributable to reduced professional fees, travel and overall general and administrative expenses.

Interest Expense

Interest expense decreased by 64.9% due to the repayment of principal associated with the revolving credit facility for the year ended December 31, 2020. We utilized \$247,751 of the line of credit at the end of the first quarter compared to \$Nil as at December 31, 2020.

Net Foreign Exchange (gain) loss

Net foreign gains or losses represent non-cash gains or losses on Canadian accounts payable and reported as other income or expense. Starrex reported foreign exchange expense of \$3,199 for the year ended December 31, 2020, compared to \$Nil for the same period in 2019.

Non-IFRS Measures²

The Company reports its financial results in accordance with IFRS. However, in this MD&A we also use certain non-IFRS financial measures including “EBITDA”, “Adjusted EBITDA” and “Net Revenue”. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate entities. These measures should be considered as supplemental in nature and not a substitute for related financial information prepared in accordance with IFRS.

EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) is commonly used in the real estate and mortgage industry to view operating results before interest, taxes, depreciation and amortization as these costs can vary significantly among competitors and distort the analysis of certain business trends and render comparative analysis of our competitors as less meaningful.

Adjusted EBITDA

All references to “Adjusted EBITDA” in this MD&A are to net income or loss before share-based compensation expense, amortization, acquisition costs, impairment of assets, interest expense, interest income, net foreign exchange gains or losses, income tax expense or recovery and intercompany management fees. Adjusted EBITDA is a measure of our operating profitability and therefore excludes certain items that are viewed by management as either non-cash (in the case of stock-based compensation expense, amortization, impairment of assets, unrealized net foreign exchange gain or loss, and deferred income taxes) or non-operating (in the case of acquisition costs, realized net foreign exchange gain or loss, interest expense, interest income, current income taxes and intercompany management fees). Adjusted EBITDA is a useful financial and operating metric for the Company, and our board of directors, and represents a measure of our operating performance and the value of our Company relative to our competitors. The underlying reasons for excluding each item are as follows:

Share-based compensation expense: These costs represent non-cash expenses for equity settled awards granted in connection with the issuance of options. These non-cash amounts are recorded to operating expenses and represent a different class of expense than those included in Adjusted EBITDA.

Amortization: As a non-cash item, amortization is not indicative of our operating profitability and therefore represents a different class of expense than those included in Adjusted EBITDA.

Impairment of assets: As a non-cash item, impairment of assets is not indicative of our operating profitability and therefore represents a different class of expense than those included in Adjusted EBITDA.

Interest expense and income: Interest expense or income reflects our debt and equity mix, interest rates, investment strategy and borrowing position from time-to-time. Accordingly, interest expense or income reflects our treasury and financing activities and therefore represents a different class of expense or income than those included in Adjusted EBITDA.

Net foreign exchange gain or loss: As non-cash items, unrealized net foreign exchange gains or losses are not indicative of our operating profitability. Realized net foreign exchange gains or losses reflects our treasury and financing activities and represent a different class of income or expense than those included in Adjusted EBITDA.

Income taxes: Income taxes are a function of tax laws and rates and are affected by matters that are separate from our daily operations. Income taxes are not indicative of our operating profitability and represent a different class of expense or recovery than those included in Adjusted EBITDA.

Management fees: Management fees are intercompany fees associated with centralized administrative functions and charged to the U.S. wholly owned subsidiaries at cost. At the subsidiary level, management fees are not indicative of our operating profitability or cash generating unit valuation and therefore represents a different class of expense than those included in Adjusted EBITDA.

The reconciling items between net income or loss and Adjusted EBITDA for the three and twelve months ended December 31, 2020 and 2019 were as follows:

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Net income (loss)	\$ 1,689,354	\$ (1,039,551)	\$ 2,728,906	262.5%	\$ 953,895	\$ (636,586)	\$ 1,590,481	249.8%
Share-based payments	\$ 53,052	\$ 342,891	\$ (289,839)	(84.5%)	\$ -	\$ 314,070	\$ (314,070)	(100.0%)
Amortization & depreciation	\$ 359,337	\$ 412,985	\$ (53,648)	(13.0%)	\$ 94,786	\$ 88,009	\$ 6,777	7.7%
Interest expense	\$ 24,885	\$ 34,826	\$ (9,941)	(28.5%)	\$ 7,058	\$ 6,407	\$ 651	10.2%
Foreign exchange (gain) loss	\$ 3,199	\$ -	\$ 3,199	100.0%	\$ 457	\$ -	\$ 457	100.0%
Income tax expense	\$ 61,814	\$ -	\$ 61,814	100.0%	\$ 15,731	\$ -	\$ 15,731	100.0%
Adjusted EBITDA	\$ 2,191,641	\$ (248,849)	\$ 2,440,490	980.7%	\$ 1,071,927	\$ (228,100)	\$ 1,300,027	569.9%

Management calculates Adjusted EBITDA as follows:

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenues	\$ 17,051,127	\$ 12,076,289	\$ 4,974,838	41.2%	\$ 5,037,675	\$ 2,860,809	\$ 2,176,866	76.1%
Less: Transaction costs	\$ 11,138,696	\$ 8,050,398	\$ 3,088,298	38.4%	\$ 3,381,287	\$ 1,882,290	\$ 1,498,997	79.6%
Less: Operating expenses	\$ 4,568,926	\$ 4,617,631	\$ (48,705)	(1.1%)	\$ 1,379,544	\$ 1,520,689	\$ (141,145)	(9.3%)
Add: Share-based expense	\$ 53,052	\$ 342,891	\$ (289,839)	(84.5%)	\$ (1)	\$ 314,070	\$ (314,071)	(100.0%)
Add: Government assistance	\$ 795,084	\$ -	\$ 795,084	100.0%	\$ 795,084	\$ -	\$ 795,084	100.0%
Adjusted EBITDA	\$ 2,191,641	\$ (248,849)	\$ 2,440,490	980.7%	\$ 1,071,927	\$ (228,100)	\$ 1,300,027	569.9%

Adjusted EBITDA by reportable segment was as follows:

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
MFI Credit Solutions, LLC	\$ 757,246	\$ 143,412	\$ 613,834	428.0%	\$ 198,624	\$ 10,563	\$ 188,061	1780.4%
Property Interlink, LLC	\$ 1,065,293	\$ 276,650	\$ 788,643	285.1%	\$ 848,253	\$ 24,389	\$ 823,864	3378.0%
Reliable Valuation Service, LLC	\$ 999,152	\$ 30,210	\$ 968,942	3207.4%	\$ 250,114	\$ 15,051	\$ 235,063	1561.8%
Corporate (excluding share-based expense)	\$ (630,050)	\$ (699,121)	\$ 69,071	9.9%	\$ (225,064)	\$ (278,103)	\$ 53,039	19.1%
Adjusted EBITDA	\$ 2,191,641	\$ (248,849)	\$ 2,440,490	980.7%	\$ 1,071,927	\$ (228,100)	\$ 1,300,027	569.9%

Adjusted EBITDA by reportable segment was as follows:

Net Revenue²

All references to "Net Revenue" in this MD&A are to Adjusted EBITDA plus operating expenses less stock-based compensation expense. Net Revenue is an additional measure of our operating profitability and therefore excludes certain items detailed below. Net Revenue represents the difference between revenues and transaction costs, where transaction costs comprise expenses directly attributable to a specific revenue transaction including: appraisal costs, various processing fees, including credit card fees, connectivity fees, insurance inspection costs, closing agent costs, external abstractor costs and external quality review costs. Net Revenue is a useful financial and operating metric for us and our board of directors to assess our operating performance and the value of our Company relative to our peers. The reconciling items between net income or loss and Net Revenue are detailed in the unaudited condensed consolidated statements of operations and comprehensive income or loss.

The reconciling items between net income or loss and Net Revenue for the years ended December 31, 2020 and 2019 were as follows:

	Year ended December 31		Three months ended December 31	
	2020	2019	2020	2019
Net income (loss)	\$ 1,689,354	\$ (1,039,551)	\$ 953,895	\$ (636,586)
Operating expenses	\$ 4,515,874	\$ 4,274,740	\$ 1,379,546	\$ 1,206,619
Amortization and depreciation	\$ 359,337	\$ 412,985	\$ 94,786	\$ 88,099
Interest expense	\$ 24,885	\$ 34,826	\$ 7,058	\$ 6,407
Net foreign exchange (gain) / loss	\$ 3,199	\$ -	\$ 457	\$ -
Share-based payments	\$ 53,052	\$ 342,891	\$ -	\$ 314,070
Income tax expense	\$ 61,814	\$ -	\$ 15,731	\$ -
Government assistance	\$ (795,084)	\$ -	\$ (795,084)	\$ -
Net Revenue	\$ 5,912,431	\$ 4,025,891	\$ 1,656,388	\$ 978,519

Management calculates Net Revenue as follows:

	Year ended December 31		Three months ended December 31	
	2020	2019	2020	2019
Revenues	\$ 17,051,127	\$ 12,076,289	\$ 5,037,675	\$ 2,860,809
Transaction costs	\$ 11,138,696	\$ 8,050,398	\$ 3,381,287	\$ 1,882,290
Net Revenue	\$ 5,912,431	\$ 4,025,891	\$ 1,656,388	\$ 978,519

Net Revenue by reportable segment was as follows:

	Year ended December 31		Three months ended December 31	
	2020	2019	2020	2019
MFI Credit Solutions, LLC	\$ 1,968,235	\$ 1,319,568	\$ 498,521	\$ 312,501
Property Interlink, LLC	\$ 1,922,856	\$ 2,670,296	\$ 603,182	\$ 649,210
Reliable Valuation Service, LLC	\$ 2,021,340	\$ 36,027	\$ 554,685	\$ 16,808
Corporate (excluding share-based expense)	\$ -	\$ -	\$ -	\$ -
Net Revenue	\$ 5,912,431	\$ 4,025,891	\$ 1,656,388	\$ 978,519

Summary of Quarterly Results

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2020	2020	2020	2020	2019	2019	2019	2019
Revenues								
Appraisal	3,728,114	3,446,416	2,688,949	2,157,873	2,031,988	2,329,215	2,336,429	1,688,899
Credit Services	1,309,561	1,436,485	1,186,746	1,099,983	828,820	1,089,209	995,188	768,091
Management Fees	-	-	-	-	-	170	5,070	3,210
Interest Income	-	-	-	-	-	-	-	-
Total Revenues	5,037,675	4,879,901	3,875,695	3,257,856	2,860,808	3,418,594	3,336,687	2,460,200
Net Income (loss)	953,895	349,881	302,154	83,424	(636,586)	(129,690)	27,819	(301,094)
Total assets	4,697,607	4,600,222	4,035,436	3,578,482	3,299,081	3,492,280	3,822,136	3,516,095
Total liabilities	1,848,711	2,705,222	2,543,368	2,388,568	2,456,205	2,063,274	2,263,440	2,586,963
Shareholders' Equity	2,848,896	1,895,000	1,492,068	1,189,914	842,876	1,429,006	1,558,696	929,132
Net loss per share for continuing operations	0.06	0.02	0.02	0.01	(0.04)	(0.01)	0.00	(0.02)
Basic and diluted loss per share	0.06	0.02	0.02	0.01	(0.04)	(0.01)	0.00	(0.02)

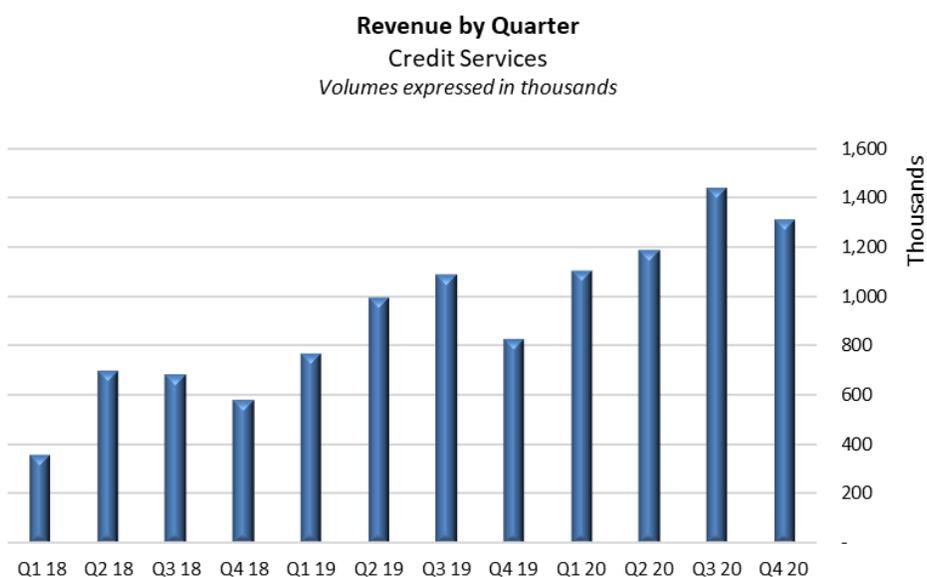
Operating Segments

MFI Credit Solutions LLC

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Credit Services	\$ 5,032,775	\$ 3,681,309	\$ 1,351,466	36.7%	\$ 1,309,561	\$ 838,820	\$ 480,741	58.0%

Revenues associated with the credit reporting segment increased by \$1,351,466 for the year ended December 31, 2020 compared to same period last year due to increased volumes of credit services along with the introduction of new product offerings. Mortgage originations and refinances continue to remain strong through the first half of 2020. U.S. refinance originations are projected to rise to \$1.23 trillion with U.S. purchase originations forecasted at \$1.38 trillion.

Revenue continues to increase in credit services as interest rates remain low and outside sales pursues organic growth.



Total expenses for MFI during the year ended December 31, 2020, were \$4,706,017, including transaction costs and income taxes, which is \$918,257 higher than the same period in 2019 (\$3,787,760). This increase is directly attributable to the increase in credit services volume. For the three months ended December 31, 2020 expenses, including transaction costs, were \$1,314,988 compared to \$882,074 for the year ended December 31, 2019, an increase of 49.1%.

MFI reported \$453,572 in net income for the year ended December 31, 2020, compared to a net loss of \$106,451 for the same period in 2019. The increase of \$560,023 is attributable to the increase in volume of credit services during the period as well as operational changes made to consolidate processes across the enterprise. For the three months ended December 31, 2020, net income associated with credit services was \$121,387 an increase of \$174,641 over the net loss of \$53,254 reported for the year ended December 31, 2019.

Property Interlink, LLC

The appraisal revenue illustrated below for the three and twelve months ended December 31, 2019 includes both staff appraisal and appraisal management revenue. The revenue for 2020 represents AMC revenue only.

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Property Interlink, LLC	\$ 7,721,740	\$ 8,328,373	\$ (606,633)	7.3%	\$ 2,524,582	\$ 2,001,466	\$ 523,115	26.1%

AMC Services were fully segregated from staff appraisal revenue effective January 1, 2020. Total revenue for 2019 of \$8,328,373 included both revenue segments (appraisal revenue). For comparative purposes, data has been extrapolated below:

	Year ended December 31		Three months ended December 31	
	2020	2019	2020	2019
Property Interlink, LLC - AMC Revenue Only	\$ 7,721,740	\$ 4,971,532	\$ 2,524,582	\$ 1,191,735

Volume and revenue trends for Property Interlink and Reliable Valuation Service generally follow those of the credit services segment with a slight lapse of one or two weeks. Both appraisal segments reported increased revenue due to historical low interest rates driving mortgage originations.

For the year ended December 31, 2020, we reported a 55.3% increase in revenue over the same period in 2019, which accounts for the segregation of appraisal services. By comparison, Property Interlink reported a 111.8% increase during the last quarter of 2020 ending December 31, 2020.

Reported expenses were 10.7% lower in Property Interlink for the year ended December 31, 2020, down to \$7,800,455 from \$8,732,590 (includes transaction costs). The large adjustment is due to the segregation of appraisal services, which has been transitioned to the staff appraisal reporting segment.

Property Interlink reported net income after taxes of \$589,555 for the year ended December 31, 2020, compared to a net loss of \$404,217 for the same period in 2019. The decrease is associated with transition of staff appraisal services to Reliable Valuation Service. During 2019 this activity was reported in Property Interlink.

For the three months ended December 31, 2020, Property Interlink reported net income of \$723,695 compared to a net loss of \$129,975 for the three months ended December 31, 2019.

Reliable Valuation Service, LLC

	Year ended December 31				Three months ended December 31			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Reliable Valuation Service, LLC	\$ 4,296,612	\$ 66,607	\$ 4,230,005	6350.7%	\$ 1,203,533	30,522	\$ 1,173,011	3843.2%

Although Reliable Valuation Service was established in June of 2018, we did not fully segregate the appraisal service lines until January 1, 2020. RVS reported \$4,296,612 in revenues associated with staff appraisals with nominal comparative data reported on the Statement of Profit and Loss. However, when this revenue is compared with the staff appraisal activity reported in Property Interlink, LLC during the year ended December 31, 2020, the results are an increase of 25.8% as illustrated in the table below and is attributable to the overall increase in volume discussed previously.

	Year ended December 31		Three months ended December 31	
	2020	2019	2020	2019
Reliable Valuation Service, LLC – Staff Appraisal Revenue Only	\$ 4,296,612	\$ 3,414,998	\$ 1,203,533	\$ 840,082

Total expenses reported in RVS for the year ended December 31, 2020 were \$3,467,480. This amount includes transaction costs of \$2,275,272 along with payroll and general and administrative expenses transitioned from the AMC activity. For the three months ended December 31, 2020, total expenses were \$996,131, which includes transaction costs of and general and administrative expenses.

Overall appraisal expenses (aggregation of expenses for both Property Interlink and Reliable Valuation Service) for the year ended December 31, 2020 were \$11,267,935 compared to \$8,768,987 during same period in 2019 – a 28.5% increase. As volumes increase, we expect transaction costs and other expenses to increase accordingly.

RVS reported net income of \$829,132 for the year ended December 31, 2020, compared to \$30,210 during the same period in 2019. Staff appraisals were not fully transitioned to Reliable Valuation Service until January 1, 2020.

Appraisal Services Reconciliation

The table below reconciles revenue derived from appraisal services from 2019 and 2020. Overall appraisal revenues increased from \$8,394,980 (revenue reported in Reliable Valuation Service and Property Interlink) as of December 31, 2019, to \$12,686,621 for the year ended December 31, 2020, an increase of 51.1%, or \$4,291,641.

Revenue	Year ended December 31, 2020				Three months ended December 31, 2020			
	2020	2019	Change	% Change	2020	2019	Change	% Change
AMC Services	\$ 7,721,740	\$ 4,971,532	\$ 2,750,208	55.3%	\$ 2,524,582	\$ 1,191,735	\$ 1,332,847	111.8%
Staff Appraisal Services	\$ 4,296,612	\$ 3,414,998	\$ 881,614	25.8%	\$ 1,203,533	\$ 840,082	\$ 363,451	43.3%
Total Appraisal Services	\$ 12,018,352	\$ 8,386,530	\$ 3,631,822	43.3%	\$ 3,728,115	\$ 2,031,817	\$ 1,696,298	83.5%

Net income (loss)

While net income or loss generally follows the adjusting volumes in the mortgage industry, this is also impacted by changes in amortization and depreciation, stock-based compensation, interest expense, net foreign exchange gains or losses and income taxes. These amounts are not subject to the seasonal nature of our business and fluctuate with other non-operating variable expenses.

Consolidated net income increased 262.5%, from \$1,689,354 for the year ended December 31 2020 compared to a net loss of \$1,039,551 for the same period in 2019. For the three months ended December 31, 2020, consolidated income was \$953,895 compared to a net loss of \$636,586 for the same period in 2019. This is due to the significant increase in activity in each of the operating segments. Lower depreciation and amortization expenses also contributed to the increase due to fully amortized assets associated with acquisition completed in previous years. We reported \$359,337 in depreciation and amortization for the twelve months ended 2020 compared to \$412,985 in 2019, a decrease of \$53,648.

Net income (loss) per weighted average share, basic and diluted

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding as at December 31, 2020, of 15,552,525 and 15,558,704 respectively. (December 31, 2019 – 15,257,994 for basic and diluted). The change in net income per weighted average share for the year ended December 31, 2020 compared to the same period in 2019 was \$0.18. For the year ended December 31, 2020, we reported \$0.11 compared to (\$0.07) during the same period ended 2019.

Financial Condition

Select Consolidated Statement of Financial Position Information

	December 31, 2020	December 31, 2019
Cash	\$ 1,493,600	\$ 145,819
Accounts receivable	938,049	567,076
Prepaid expenses	109,596	90,853
Property and equipment, net of depreciation	62,120	81,644
Intangible assets	\$ 1,052,386	\$ 1,216,047
Goodwill	915,288	915,288
Right-of-use assets	126,568	282,354
Accounts payable and accrued liabilities	\$ 967,861	\$ 1,470,318
Contract liabilities	741,874	425,704
Note payable	-	247,751
Lease liabilities – current portion	113,490	173,455
Lease liabilities – non-current portion	25,486	138,977

Trade and Other Receivables

Consolidated trade and other receivables were \$938,049 as at December 31, 2020 compared to \$567,076 as at December 31, 2019, an increase of \$370,973 (65.4%). This increase is directly attributable to the increased volume of appraisal and credit service activity.

MFI Credit Solutions reported a total \$362,111 in trade receivables at December 31, 2020 compared to \$193,253 as at December 31, 2019, an increase of \$168,858. Fifty percent of monthly revenues are processed on the last day of each month with payments received within 15 days or less. We review credit accounts in the operating segments twice monthly due to the uncertainty the impact COVID-19 could have on our clients.

For the year ended December 31, 2020, Property Interlink reported \$432,007 in outstanding trade receivables, compared to \$201,811 for the year ended December 31, 2019, an increase of \$230,197.

Reliable Valuation Service, for year ended December 31, 2020, reported \$61,062 in trade receivables compared to \$3,250 as at December 31, 2019.

Corporate reported \$82,869 for the period ended December 31, 2020 in outstanding trade receivables, compared to \$168,762 for the year ended December 31, 2019.

Select financial information for the year ended December 31, 2020 is presented as follows:

	Property Interlink, LLC	MFI Credit Solutions, LLC	Corporate	Reliable Valuation Service, LLC	Total
Current assets	\$ 816,121	\$ 915,479	\$ 45,530	\$ 764,115	\$ 2,541,245
Property and equipment	22,926	25,526	-	13,658	61,120
Right-of-use assets	126,568	-	-	-	126,568
Intangible assets	87,043	862,755	102,588	-	1,052,836
Goodwill	621,132	294,156	-	-	915,288
Total assets	\$ 1,673,790	\$ 2,097,926	\$ 148,118	\$ 777,773	\$ 4,697,607
Current liabilities	\$ 914,893	\$ 718,846	\$ 143,465	\$ 46,021	\$ 1,823,255
Long-term liabilities	25,486	-	-	-	25,486
Total liabilities	\$ 940,379	\$ 718,846	\$ 143,465	\$ 46,021	\$ 1,848,711
Revenues	\$ 7,721,740	\$ 5,032,775	\$ -	\$ 4,296,612	\$ 17,051,127
Government assistance	\$ 668,269	\$ 126,815	\$ -	\$ -	\$ 795,084
Expenses	\$ 7,763,162	\$ 4,699,517	\$ 181,884	\$ 3,450,480	\$ 16,095,043
Operating income (loss) from operations before provision for income tax	\$ 626,847	\$ 460,073	\$ (181,884)	\$ 846,132	\$ 1,751,168
Income tax expense	\$ 37,293	\$ 6,500	\$ 1,021	\$ 17,000	\$ 61,814
Net income (loss) for the period	\$ 589,554	\$ 453,573	\$ (182,905)	\$ 829,132	\$ 1,689,354

Select financial information for the year ended December 31, 2019 is presented as follows:

	Property Interlink, LLC	MFI Credit Solutions, LLC	Corporate	Reliable Valuation Service, LLC	Total
Current assets	\$ 351,129	\$ 299,677	\$ 144,185	\$ 8,757	\$ 803,748
Property and equipment	46,151	35,493	-	-	81,644
Right-of-use assets	282,354	-	-	-	282,354
Intangible assets	113,180	964,901	137,966	-	1,216,047
Goodwill	621,132	294,156	-	-	915,288
Total assets	\$ 1,413,946	\$ 1,594,227	\$ 282,151	\$ 8,757	\$ 3,299,081
Current liabilities	\$ 831,782	\$ 709,432	\$ 776,014	\$ -	\$ 2,317,228
Long-term liabilities	138,977	-	-	-	138,977
Total liabilities	\$ 970,759	\$ 709,432	\$ 776,014	\$ -	\$ 2,456,205
Revenues	\$ 8,328,373	\$ 3,681,309	\$ -	\$ 66,607	\$ 12,076,289
Expenses	\$ 8,732,590	\$ 3,787,760	\$ 559,093	\$ 36,397	\$ 13,115,840
Operating income (loss) from operations before provision for income tax	\$ (404,217)	\$ (106,451)	\$ (559,093)	\$ 30,210	\$ (1,039,551)
Income tax expense	\$ -	\$ -	-	-	-
Net income (loss) for the period	\$ (404,217)	\$ (106,451)	\$ (559,093)	\$ 30,210	\$ (1,039,551)

Share Capital

As at December 31, 2020, the share capital of the Company continued to be comprised exclusively of common shares. 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.

Issued	Number of Common Shares	Amount \$
Balance, December 31, 2018	14,580,827	6,779,711
Shares issued – exercise of options	500,000	182,798
Shares issued – conversion of note payable	471,698	557,260
Balance, December 31, 2019 and December 31, 2020	15,552,525	7,519,769

The Company has a 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, 2018	825,000	0.44	1.08
Options exercised	(500,000)	0.18	1.33
Options expired	(50,000)	0.44	0.81
Options cancelled	(50,000)	0.38	0.41
Options issued	75,000	0.57	0.51
Outstanding, December 31, 2019	300,000	1.14	0.72
Options issued	650,000	0.50	0.48
Options expired	(150,000)	1.31	0.95
Outstanding and exercisable, December 31, 2020	800,000	0.61	0.61

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life
Granted October 5, 2018	75,000 ⁽²⁾	75,000	\$ 1.31 ⁽³⁾	October 5, 2023	2.76
Granted May 8, 2019	50,000 ⁽⁵⁾	50,000	\$ 0.56 ⁽⁵⁾	May 8, 2024	3.35
Granted November 25, 2019	25,000 ⁽²⁾	25,000	\$ 0.53 ⁽⁶⁾	November 23, 2024	3.90
Granted January 8, 2020	550,000 ⁽²⁾	550,000	\$ 0.49 ⁽⁷⁾	January 7, 2025	3.93
Granted September 11, 2020	100,000 ⁽⁴⁾	100,000	\$ 0.35 ⁽⁸⁾	September 10, 2025	4.70
Total	800,000	800,000			3.81

⁽¹⁾ An Executive Officer of the Company holds these options. They are fully vested.

⁽²⁾ Key employees hold these options. They are fully vested.

⁽³⁾ The exercise price is CAD \$1.75.

⁽⁴⁾ A consultant of the Company holds these options. They are fully vested.

⁽⁵⁾ The exercise price is \$0.75 CAD.

⁽⁶⁾ The exercise price is \$0.71 CAD.

⁽⁷⁾ The exercise price is \$0.65 CAD.

⁽⁸⁾ The exercise price is \$0.47 CAD.

Liquidity and Capital Resources

Cash

At December 31, 2020, Starrex held \$1,493,600 in cash, an increase of \$1,347,781 over the December 31, 2019 balance of \$145,819. This was largely due to the loans in the aggregate amount of \$790,600 granted to the Company pursuant to the Paycheck Protection Program under the CARES Act which was enacted on March 27, 2020. See Note 15 of the Annual Audited Consolidated Financial Statements.

Current assets at year-end 2020 were \$2,541,245 compared to \$803,748 at December 31, 2019. A portion of the \$1,737,497 increase was attributable to the cash received in consideration of loans discussed above, which were subsequently forgiven, and accounts receivable in each of the subsidiaries.

Contingencies and Commitments

Effective November 1, 2020, the Company entered into a consulting agreement for appraisal compliance oversight with a maturity date of October 31, 2021. As at December 31, 2020, this agreement has minimum commitments of \$35,000 (December 31, 2019 - \$32,500).

Liabilities

Current liabilities at December 31, 2020, were \$1,823,225 compared to \$2,317,228 at the prior year-end. The overall variance is comprised of the forgiveness of the CARES Act loans and payoff of the operating line of credit along with an increase in contract liabilities.

Accounts payable and accrued liabilities decreased by \$502,457 to \$967,861 as at December 31, 2020 compared to \$1,470,318 for the year ended 2019. Liabilities from contracts with customers increased by \$316,170, from \$425,704 at December 31, 2019 to \$741,874 as at December 31, 2020. Deferred revenue for the year ended December 31, 2020 was \$288,823 compared to \$80,869 at December 31, 2019 and is included in contract liabilities. Deferred revenue in Property Interlink is comprised of prepaid amounts for appraisals that were not completed as of the applicable date. As volumes increase, we expect deferred revenue to increase proportionately.

Cash Flows

Starrex generated \$998,754 in operating cash flows from its appraisal and credit services segments. During the same period last year the company used \$127,150 in cash to support the operating segments.

For the year ended December 31, 2020 the Company spent \$20,366 for purchases of equipment compared to \$7,217 for the year ended December 31, 2019.

The Company generated cash flow of \$369,393 from financing activities for the year ended December 31, 2020 compared to cash inflows of \$119,841 for the year ended December 31, 2019. The Company utilized \$247,751 for the year ended December 31, 2020 to fulfill the outstanding balance associated with the Hilltop Financial note payable and received CARES Act loans in the amount of \$790,600.

Related Party Transactions

Amcap Mortgage Ltd.

AmCap Mortgage Ltd., a related customer (by common Director) accounted for \$9,941,204 (2019 - \$5,604,303) of revenue to the Company. As at December 31, 2020, \$390,676 (December 31, 2019 – \$85,084) is included in accounts receivable on the consolidated statements of financial position. Additionally, \$Nil is included in accounts payable and accrued liabilities as at December 31, 2020 (December 31, 2019 - \$34,920) on the consolidated statements of financial position. The amount payable is unsecured, non-interest bearing and due on demand.

Hilltop Financial, LLC

On November 16, 2018, the Company entered into a Promissory Note with Hilltop Financial, LLC, a related party (by common Director) to be utilized as a revolving line of credit with a maturity date of December 1, 2019 and which is collateralized by the accounts receivable of MFI Credit Solutions, LLC and Property Interlink, LLC. This revolving line of credit was renewed effective December 1, 2019 for one year with the same terms. The Company recorded \$7,468 in accrued interest for the year ended December 31, 2020 (2019 – \$8,497). As at December 31, 2020, the Company had paid in full all outstanding balances associated with the line of credit.

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:

The Company incurred \$613,691 in management fees and associated payroll for the year ended December 31, 2020 (December 31, 2019 - \$619,878) to key members of management. These fees are included in payroll, management and corporate services. At December 31, 2020 and 2019, all amounts had been paid.

The Company incurred \$53,052 in share-based payments for the year ended December 31, 2020 (2019 - \$263,614), for options granted to the Chief Executive Officer.

During the year ended December 31, 2020, Nil (2019 – 175,000) options were exercised by the Chief Operating Officer and Nil (2019 - 325,000) options were exercised by two directors.

Subsequent Events

- i. Effective January 6, 2021, 100,000 options to purchase common stock of the Company were exercised at CDN \$0.65 (USD \$0.501) per share for proceeds of CDN\$65,000 (USD \$50,050).
- ii. Effective February 2, 2021, 100,000 options to purchase common stock of the Company were exercised at CDN \$0.47 (USD \$0.367) per share for proceeds of CDN\$47,000 (USD \$36,700).

Critical Accounting Estimates

We use information from our financial statements, prepared in accordance with IFRS and expressed in U.S. dollars, to prepare our MD&A. Our financial statements include estimates and judgments that affect the reported amounts of our assets, liabilities, revenues, expenses and, where and as applicable, disclosures of contingent assets and liabilities. On a periodic basis, we evaluate our estimates, including those that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. Areas that are subject to judgment and estimate include revenue recognition, impairment of goodwill and non-financial assets, the determination of fair values in connection with business combinations, the determination of fair value for warrants and financial instruments, lease terms, estimation of incremental borrowing rates to determine the carrying amount of right-of-use assets and lease liabilities and the likelihood of realizing deferred income tax assets. Our estimates and judgments are based on historical experience, our observation of trends, and information, valuations and other assumptions that we believe are reasonable when making an estimate of an asset or liability's fair value. Due to the inherent complexity, judgment and uncertainty in estimating fair value, actual amounts could differ significantly from these estimates.

Areas requiring the most significant estimate and judgment are outlined below.

Goodwill

Goodwill and other indefinite life intangible assets are 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.

Business Combinations

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.

Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company is also subject to tax regulations as they relate to flow-through financing arrangements. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Leases

The determination of the Company's lease liability and right-of-use asset depends on certain assumptions which includes the selection of the discount rate. The discount rate is set by referencing to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

Expected Credit Losses

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Other

Other estimates include, but are not limited to, the following: identification of CGUs, impairment assessments for non-financial assets, inputs to the Black-Scholes option pricing model used to value stock-based compensation, estimates of property and equipment's useful life, assessing provisions, estimating the likelihood of collection to determine our allowance for doubtful accounts, the fair value of financial instruments, control assessment of subsidiaries, contingencies related to litigation and contingent acquisition payables, claims and assessments and various economic assumptions used in the development of fair value estimates, including, but not limited to, interest and inflation rates and a variety of option pricing model estimates.

Risk 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, as well as compliance measures are undertaken.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil 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.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At September 30, 2020, and December 31, 2019, the Company had a nil balance in the reserves for credit losses and had no material past due trade receivables.

The Company applies the IFRS 9 simplified approach to measuring expected losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the year end. The historical loss rates, if any, are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. All trade receivables are less than sixty days past due. On that basis, the Company has not provided for expected credit losses.

Financial Risk

The Company maintains strong 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.

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.

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, 2020, the Company had cash of \$1,473,600 (December 31, 2019 - \$145,819) available to settle current liabilities of \$1,848,710 (December 31, 2019 - \$2,317,228).

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, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2019, the Company held immaterial amounts of cash, accounts receivable and accounts payable and accrued liabilities in CDN currency and considers foreign currency risk to be low.

	December 31, 2020	December 31, 2019
Accounts receivable	\$ -	\$ 132,850
Accounts payable and accrued liabilities	(6,535)	(37,614)
Total	\$ (6,535)	\$ 95,236

Federal and State Regulation

As at December 31, 2020, 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 forty one states and/or jurisdictions. Of these states, twenty-five require surety bonds which aggregate to \$780,000. 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. The Company continually 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 endeavour to evaluate the risks inherent in a particular target business, the Company cannot assure 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, although recently the Company used a convertible debt instrument. 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.

COVID-19 Update

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

Changes in economic conditions resulting in fluctuations in demand for services provided

The COVID-19 pandemic has increased the uncertainty surrounding interest rates, refinance rates, the capacity of lenders to underwrite mortgages, house prices, housing stock supply and demand, the availability of funds for mortgage loans, credit requirements, regulatory changes, household indebtedness, employment levels and the general health of the North American economy, each of which could have a significant impact on our operating performance. We generate revenues on a per transaction basis and do not have minimum volume guarantees with our clients. Accordingly, uncertain economic conditions and a lack of housing market strength and/or stability caused by the COVID-19 pandemic could reduce demand for our services, which could have a material adverse effect on our business, financial condition and results of operations.

Failing to adequately protect our technology Infrastructure

We depend on third-party service providers to provide continuous and uninterrupted access to certain elements of our platform. If the supply reliability or security of these services were impacted by the COVID-19 pandemic, it could significantly restrict or otherwise prevent us from carrying out some or all of our business operations, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, an extended period of our employees working in an at home environment could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Work from home environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic.

Regulatory risks applicable to us

We operate in a highly regulated industry, and compliance with laws and regulations are volatile and expensive. In addition, due to the impact of the COVID-19 pandemic, laws and regulations impacting the residential mortgage market, including the compliance and regulatory landscape, are rapidly evolving in an attempt to stop the spread of the COVID-19 pandemic, protect public safety and support the financial needs of affected individuals. New laws and regulations and/or changes to existing laws and regulations brought about by the COVID-19 pandemic could require significant changes to our business model and/or service offerings. If: (i) we are unable to quickly adapt our business model and/or service offerings to comply with any significant changes to the legal and/or regulatory landscape in a cost-efficient manner; (ii) we fail to comply with these rapidly evolving changes; or (iii) we are unable to carry on all or a portion of our business, it could have a material adverse effect on our business, financial condition and results of operations.

Additionally, it is possible that regulatory oversight of the residential mortgage market may, in the future, be scaled back, due to the impact of the COVID-19 pandemic. Any reduction in existing laws and regulations may affect the barriers to entry that the current regulatory environment creates, which could have a material adverse effect on our business, financial condition and results of operations.

Maintaining our competitive position in a competitive business environment

Maintaining demand for our services, in the near-term, in response to COVID-19 may require us to, among other things: (i) successfully develop and bring to market enhancements to existing services; (ii) develop new services and technologies that address the needs of our existing and prospective clients; and (iii) respond to changes in industry standards and practices, in each case, in a cost-effective manner and on a timely basis. Failing to maintain demand for our services could have a material adverse effect on our business, financial condition and results of operations.

Growth placing significant demands on our management and infrastructure

Growth has placed, and will continue to place, significant demands on our management and our operational, technical and financial infrastructure, including the recent growth in refinance market volumes stemming from lower interest rates attributable to the economic uncertainty caused by the COVID-19 pandemic. Severe or excessive growth in market volumes could strain our ability to: (i) maintain reliable, high-quality service levels for our clients; (ii) develop and improve our operational, financial, technical and management controls; (iii) enhance our reporting systems and procedures; and (iv) recruit, train and retain highly-skilled personnel, any of which could have a material adverse effect on our business, financial condition and results of operations.

Qualified individuals in our industry are currently in high demand and there is no guarantee that we will be able to retain our key personnel or that we will be able to attract and retain new highly skilled individuals without incurring a significant increase in compensation costs to do so. The loss of key employees or our inability to attract and retain new highly skilled personnel could have a material adverse effect on our business, financial condition and results of operations.

Failing to maintain field professional engagement

We rely on our network of independent field professionals to provide service to our clients. If an increasing number of field professionals are uncomfortable proceeding with interior appraisal inspections or in person mortgage closings due to the COVID-19 pandemic or enhanced government regulation limits the ability of individuals on our field professional network to provide services in certain locations (e.g. by imposing local travel restrictions, etc.), it could constrain our ability to maintain a sufficient number of field professionals in certain geographies and/or increase our transaction costs. Accordingly, we may be unable to meet our service obligations to our clients or need to incur increased transaction costs to do so, either of which could have a material adverse effect on our business, financial condition and results of operations.

Potential losses arising from field professional work product liability

We manage a network of independent field professionals who produce a work product that our clients and underwriters rely on to make decisions. The COVID-19 pandemic has resulted in a number of significant changes to industry standards and processes, including the methods for performing various services. These changes, however, also create additional risks as certain traditional standards and processes are relaxed in an attempt to stop the spread of the COVID-19 pandemic and protect public safety. Should our field professionals produce a work product that is defective and results in a client and/or the underwriter incurring a financial loss, such parties may seek indemnification. If we are required to indemnify one or more clients and/or underwriters for work product liability and we are unable to obtain recourse from our field professionals or their errors and omissions insurance providers for the full amount of the loss incurred, it could have a material adverse effect on our business, financial condition and results of operations.

Failing to maintain effective internal controls, including the inherent limitations in all control systems

Controls may be circumvented as a result of our employees being placed in work-at-home environments, or for other reasons either directly or indirectly attributable to the COVID-19 pandemic. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design procedures will succeed in achieving its stated goals under all potential conditions. If we fail to maintain effective internal controls, it could have a material adverse impact on our business, financial condition and results of operations.

Inaccurate accounting estimates and judgments

The impact of the COVID-19 pandemic has created significant global economic uncertainty and could require us to reassess certain assumptions and judgments related to, amongst other things, our forecast of future operating performance, the ability to sustain our operations and to assess the recoverability of our assets recorded in our statement of financial position. If the underlying estimates are ultimately proven to be incorrect, subsequent adjustments could have an adverse effect on our operating results and could require us to restate our historical financial statements.

Ineffectiveness of our financial and operational risk management efforts

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk, exchange rate risk and other market-related risk, as well as operational risks related to our business, assets and liabilities, including those brought about by the COVID-19 pandemic, which could have a material adverse effect on our business, financial condition and results of operations.

Financial Information Controls and Procedures

Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities laws. Words such as “aim”, “could”, “forecast”, “target”, “may”, “might”, “will”, “would”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “seek”, “believe”, “predict” and “likely”, and variations of such words and similar expressions are intended to identify such forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes statements which reflect the current expectations of the Company’s management with respect to the Company’s business and the industry in which it operates and is based on management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The forward-looking information reflects management’s beliefs based on information currently available to management, including information obtained from third-party sources, and should not be read as a guarantee of the occurrence or timing of any future events, performance or results. The forward-looking information in this MD&A includes, but is not limited to, statements related to:

- the impact of COVID-19 on our operations, services, employees, financial condition, capital and financial resources, and internal controls;
- the key factors that have a significant impact on our financial performance;
- anticipated economic conditions;
- the regulatory environment in which we operate;
- our competitive position relative to our competitors;
- anticipated industry and market trends, including the seasonality of our business; and
- our intentions with respect to the implementation of new accounting standards.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its President and Chief Executive Officer (“CEO”), and its Audit Committee to ensure appropriate and timely decisions are made regarding public disclosure. Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Corporation’s CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation’s financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. In the Corporation’s 2019 filings, the Corporation’s CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation’s disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. In the Corporation’s second quarter 2020 filings, the Corporation’s CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Corporation’s disclosure controls and procedures and the design of internal controls over financial reporting. The Corporation’s Audit Committee reviewed this MD&A and the interim unaudited condensed consolidated financial statements and notes, and the Corporation’s Board of Directors approved these documents prior to their release.

Changes in Internal Controls over Financial Reporting

There have been no material changes to the Corporation’s internal controls over financial reporting during the nine months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.