



Management's Discussion and Analysis

For the nine months ended September 30, 2023 and 2022

Introduction

The following management discussion and analysis (“MD&A”) has been prepared as of November 21, 2023 and is related to the unaudited consolidated financial results of Starrex International Ltd (“Starrex” or the “Company”) and its wholly owned subsidiaries, Property Interlink. LLC, Reliable Valuation Service, LLC, MFI Credit Solutions, LLC, Starrex Holdings, Inc., Starrex Insurance Holdings, Inc., Starrex Technical Services, LLC and All American Title Co., Inc., collectively referred to as the (“Group”) for the nine-month period ended September 30, 2023. The condensed interim unaudited consolidated financial statements for the nine-month period ended September 30, 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes for the nine-month period ended September 30, 2023. Other pertinent information about the Group is available on SEDAR at www.sedar.com as well as on the Company’s website at www.starrexintl.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in United States dollars unless otherwise indicated.

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning our objectives and our strategies to achieve those objectives, statements with respect to management’s beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as “indicators”, “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management.

The forward-looking statements in this MD&A are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under “Risks and Uncertainties”, which could cause actual results, operations or performance to differ materially from the forward-looking statements in this MD&A. Those risks and uncertainties include risks associated with property ownership, tenant termination and financial stability, liquidity, competition for real property investments, general uninsured losses and environmental matters. Historical results and percentage relationships contained in the Company’s financial statements and MD&A, including trends that might appear, should not be taken as indicative of our future results, operations or performance.

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements. All forward-looking statements in this MD&A are qualified by this forward-looking disclaimer. These statements are made as of September 30, 2023 and, except as required by applicable law, we undertake no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

Business Overview

Starrex was established in 1982, pursuant to the provisions of the Canada Business Act under the name Starrex Mining Corporation Ltd. Effective May 1, 2014, the Company amended its name to Starrex International Ltd. Since that time, the strategic direction of the Company focused on development and acquisitions in the real estate and housing sectors. 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.

Title Insurance

The Company acquired four title insurance entities in Minnesota which consolidated into one newly formed entity effective March 17, 2023. **All American Title Co., Inc.** has been in the title insurance business for more than 24 years and is a leading provider of title insurance services in Minnesota and Wisconsin. Revenue is recognized at the time of closing of the underlying transaction as the earning process is then complete. Regulation of title insurance rates varies by state. Premiums are charged to customers based on rates predetermined in coordination with each states' respective Department of Insurance. Cash associated with such revenue is typically collected at closing of the underlying real estate transaction. Premium revenues from agency title operations are recognized when the underlying title insurance order and transaction closing, if applicable, are complete.

Selected Financial Information

The following table provides selected balance sheet information as at the date indicated:

	September 30, 2023	December 30, 2022
Cash	\$ 5,181,664	\$ 7,856,519
Accounts receivable	882,984	479,346
Escrowed receivable	50,000	350,000
Prepaid expenses	165,049	42,791
Notes receivable	3,760,734	1,716,889
Property and equipment, net of depreciation	\$ 283,429	\$ 263,749
Intangible assets	2,305,053	575,648
Goodwill	6,318,546	-
Right-of-use assets	600,448	169,883
Total assets	19,547,907	11,454,825
Accounts payable and accrued liabilities	\$ 1,110,179	\$ 772,586
Income taxes payable	-	1,458,607
Note payable	9,195,486	850,000
Convertible note payable	1,115,468	-
Lease liabilities – current portion	257,015	93,503
Lease liabilities – non-current portion	402,703	85,515
Total liabilities	12,080,851	3,260,211
Total equity	7,467,056	8,194,614

Trade and Other Receivables

As reflected in the selected balance sheet information above, between December 31, 2022 and September 30, 2023, the Company's trade and other receivables increased from \$479,346 to \$882,984. These receivables are normal course receivables associated with the two operating segments, MFI Credit Solutions and All American Title Co., Inc. Outstanding receivables for MFI Credit Solutions, LLC comprises \$457,582 of the outstanding total while All American reported \$242,744 in receivables associated with recoverable title expenses and outstanding escrow recovery. The remaining \$182,658 are associated with receivables in the corporate segment.

The Company entered into four agreements effective October 17, 2022, to provide operating capital through a revolving promissory note to title insurance companies. The promissory notes carry a 6% per annum interest rate with a maturity date of June 23, 2023. At the option of the Company, the note will become immediate due and payable. For the nine-month period ended September 30, 2023, the Company recorded interest income of \$118,346 (September 30, 2022 - \$Nil).

The Company measures loss allowances based on an expected credit loss impairment ("ECL") model for all financial instruments measured at amortized cost or fair value through other comprehensive income with recycling into income. Application of the model depends on the following credit stages of the financial assets.

Stage 1	For new loans recognized and for existing loans that have not experience a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the lifetime credit losses expected to result from defaults occurring in the next 12 months.
Stage 2	For those loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected over the remaining life of the loan; and

Stage 3 For loans that are considered to be credit-impaired, a loss allowance equal to full lifetime credit losses is recognized.

Significant judgement is required in making assumptions and estimates used to calculate the ECL, including movements between the three stages and the use of forward looking information. The measurement of ECL for each stage and the criteria used to determine a significant increase in credit risk uses information about past events and current conditions as well as reasonable and supportable projections of future events.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument and consider reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions that impact the Company's credit risk assessment.

As at September 30, 2023, the loans receivable have been classified Stage 2 based on the default date of June 23, 2023. The notes are secured with the underlying assets of the entities which are valued at approximately \$3,800,000 as at September 30, 2023.

The following table reconciles the carrying value of the loans receivable:

	September 30, 2023	December 31, 2022
Loans	\$ 4,768,128	\$ 1,716,889
Allowance for expected credit losses	(1,007,394)	-
Total	\$ 3,760,734	\$ 1,716,889

Property and equipment remained materially unchanged while intangible assets increased to \$2,305,053 at September 30, 2023 from \$575,648 at December 31, 2022, due to the acquisition of All American Title Co., Inc. Customer relationships and non-competition intangible assets of \$1,934,000 were reported in connection with the new operating segment.

Liabilities

The balance in notes payable increased from \$850,000 at December 31, 2022 to \$9,195,486 at September 30, 2023. This amount is comprised of a short-term note payable to the Sellers of All American Title Co., Inc. in the amount of \$4,345,486, along with the outstanding balance on the line of credit.

On November 16, 2018, the Company entered into a promissory note with Agents National Title Insurance Company to be utilized as a revolving line of credit in support of acquisition activity. The note is collateralized by the assets of the Company and carries an interest rate equal to the prime rate less 0.50%, which is paid monthly. At the option of the lender, the loan amount shall be convertible into common shares of the Company, with the conversion price based on the quoted market price at the time of conversion. As the conversion price is not fixed, the entire convertible instrument has been classified as a liability. As at September 30, 2023, the Company had an outstanding balance of \$4,850,000 (December 31, 2022 - \$850,000) and incurred interest expense of \$175,729 (September 30, 2022 - \$nil). The lender exercised its option to terminate the credit facility effective October 17, 2023 and issued a demand for repayment. Subsequent to the issuance for repayment, the lender filed suit against Starrex for the entire amount. The company is currently in negotiations with the lender to resolve the matter.

Review of Cash Flows

The following section provides an overview analysis of cash flows for the respective periods as indicated:

Nine months ended September 30,	2023	2022
Cash, beginning of period	\$ 7,856,519	\$ 2,172,169
Cash provided by (used in):		
Operating activities	(1,643,467)	(532,913)
Investing activities	(4,860,301)	(42,128)
Financing activities	3,828,913	(88,857)
Cash, end of period	\$ 5,181,664	\$ 1,508,271

Cash used in Operating Activities

Cash used in operating activities at September 30, 2023 was \$1,110,554 higher than the cash utilization of \$532,912 at September 30, 2022. Cash used in operating activities for discontinued operations in 2022 was \$126,112 and is

included in the total of \$532,912. Income taxes were paid during the first quarter of 2023 and represent \$1,458,607 of the cash flows used in operations.

Cash used in Investing Activities

The company used \$1,800,000 as a cash down payment associated with the acquisition of All American Title Co., Inc. Loans in the amount of \$3,051,239 were also advanced associated with the promissory notes in support of a potential acquisition, which expired on June 23, 2023. A demand for repayment was issued on September 8, 2023. The Company is currently pursuing collection efforts.

Cash used in Financing Activities

Proceeds in the amount of \$4,000,000 were borrowed from the credit facility with Agents National Insurance Company. These funds were used in support of potential acquisition targets. This amount is directly associated with the cash used in investing activities through loans advanced.

Capital Resources and Liquidity

As at September 30, 2023, Starrex held \$5,181,664 in cash with current assets of \$10,040,431 and current liabilities of \$10,562,680.

On November 16, 2018, the Company entered into a promissory note with Agents National Title Insurance Company to be utilized as a revolving line of credit in support of acquisition activity. The note is collateralized by the assets of the Company and carries an interest rate equal to the prime rate less 0.50%, which is paid monthly. At the option of the lender, the loan amount shall be convertible into common shares of the Company, with the conversion price based on the quoted market price at the time of conversion. As the conversion price is not fixed, the entire convertible instrument has been classified as a liability. As at September 30, 2023, the Company had an outstanding balance of \$4,850,000 (December 31, 2022 - \$850,000) and recorded interest expense of \$175,729 (September 30, 2022 - \$nil). The lender exercised its option to terminate the credit facility effective October 17, 2023 (See Note 18 – Subsequent Events).

On March 17, 2023, the Company entered into a convertible promissory note in the amount of \$2,700,000 in connection with the acquisition of All American Title Co., Inc. The note bears an interest rate of 6% per annum, accruing monthly and payable semi-annually commencing October 1, 2023. Payment of this convertible note is conditional upon earn out provisions based on a target EBITDA for the entities acquired. To the extent annual EBITDA targets are met, the holders will be entitled to receive a pro-rated payment. If the annual targets are not met the holders are not entitled to receive a prepayment. At the end of the three year term, the principal amount of the notes outstanding will be adjusted downwards by an amendment to the notes or by cancellation depending on the average performance achieved by the entities over the term of the notes. Interest is payable in cash semi-annually in arrears unless such interest amount is converted at the option of the holder and payable in common shares of Starrex based on the closing price of Starrex shares on the trading day prior to the conversion date. In addition, the holder of the notes may elect to convert all or any part of the principal amount into Starrex shares at a price of \$2.09 (See Note 15). These notes are secured pursuant to a Pledge and Security Agreement whereby the membership interests represented by the amount of the note are pledged as security until the particular promissory note is paid in full. The proportion of membership interests that were represented by the cash amount have not been pledged as security for these notes. In addition, the indebtedness has been guaranteed by Starrex. For the period ended September 30, 2023, the Company incurred \$86,850 in interest expense associated with the notes (September 30, 2022 - \$nil).

The liability portion of this financial instrument was elected to be measured using FVTPL through profit or loss. On initial recognition, the Company valued the entire financial instrument at a fair value of \$1,948,743. The financial liability was initially recognized at a value of \$1,232,670 and the residual amount of \$716,073 was allocated to the conversion feature which has been recorded as contributed surplus. The following assumptions were used to calculate the fair value of the convertible note as at March 17, 2023:

	2023
Share price (\$USD)	1.20
Expected dividend yield	Nil
Risk free interest rate (%)	3.55
Expected stock volatility (%)	96.64 – 122.38
Expected life (years)	3
Weighted Average Cost of Capital	24.71%
Market Interest Rate	7%

As at September 30, 2023, the Company remeasured the liability of the convertible note resulting in a fair value of \$1,115,468. The following assumptions were used to calculate the fair value of the convertible note as at September 30, 2023:

	2023
Share price (\$USD)	0.75
Expected dividend yield	Nil
Risk free interest rate (%)	4.83
Expected stock volatility (%)	182 – 238.19
Expected life (years)	2.6
Weighted Average Cost of Capital	24.71%
Market Interest Rate	7%

The Company also entered into a secured promissory note in the amount of \$4,500,000 effective March 17, 2023, in connection with the acquisition of All American Title Co, Inc. The note is non-interest bearing and carries a maturity date of March 17, 2024.

The loan is valued at the present value of anticipated future repayments of the funds at each reporting date using a discount rate of 7%. The Company incurred \$148,860 accretion expense for the period ended September 30, 2023 (September 30, 2022 - \$nil). As at September 30, 2023, the Company had an outstanding balance of \$4,345,486 (December 31, 2022 - \$nil).

Share Capital

As at September 30, 2023, 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, 2022	16,296,113	8,275,933
Shares issued	250,000	300,000
Balance, September 30, 2023	16,546,113	8,575,933

On March 17, 2023, 250,000 common shares valued at \$300,000, based on the quoted market price of the Company's common shares at the time of issuance, were issued in connection with the acquisition of All American Title Co., Inc.

Share-based payments

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 and exercisable, December 31, 2022	600,000	0.64	0.59
Options issued	300,000	1.20	0.99
Outstanding and exercisable, September 30, 2023	900,000	0.81	0.77

	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	\$ 1.40 ⁽³⁾	October 5, 2023	0.01
Granted May 8, 2019	50,000 ⁽⁴⁾	50,000	\$ 0.60 ⁽⁵⁾	May 8, 2024	0.60
Granted November 25, 2019	25,000 ⁽²⁾	25,000	\$ 0.57 ⁽⁶⁾	November 23, 2024	1.15
Granted, January 8, 2020	450,000 ⁽¹⁾	450,000	\$ 0.52 ⁽⁷⁾	January 7, 2025	1.27
Granted, March 17, 2023	300,000 ⁽²⁾	300,000	\$ 1.20 ⁽⁹⁾	March 28, 2028	4.47
Total	900,000	900,000			2.19

- (1) An Executive Officer or Directors 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.
- (9) The exercise price is \$1.64 CAD.
- (10) These options vest over three years.

Related Party Transactions

AmCap Mortgage Ltd., a related customer (by common Director) accounted for \$1,512,934 (September 30, 2022 - \$2,143,161) of revenue to the Company. As at September 30, 2023, \$400,378 (December 31, 2022 - \$151,305) is included in accounts receivable on the condensed interim consolidated statements of financial position.

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 \$307,290 in management fees and associated payroll for the nine months ended September 30, 2023 (September 30, 2022 - \$621,770) to key members of management. These fees are included in payroll, management and corporate services. At September 30, 2023 and 2022, all amounts had been paid.

Selected Quarterly Information

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenues								
Title Insurance	2,354,976	2,085,376	240,365	-	-	-	-	-
Credit Services	602,147	711,706	846,835	489,764	850,356	1,021,714	1,265,532	1,089,058
Consulting Income	151,923	192,076	146,992	80,418	37,500	37,500	12,500	-
Other revenue	35,656	53,254	41,711	13,327	-	-	-	-
Interest income	55,877							
Revenues, continuing operations	3,200,579	3,042,412	1,275,902	583,529	887,856	1,059,214	1,278,032	1,089,058
Revenues, discontinued operations			-	760,593	2,466,987	3,402,772	3,593,912	3,737,545
Net income (loss), continuing operations	(236,986)	(949,873)	(440,940)	(918,314)	(133,695)	(79,298)	(89,982)	(330,476)
Net income (loss), discontinued operations	-	-	-	5,441,387	(174,430)	14,760	95,548	(22,920)
Total assets	19,547,907	17,833,361	20,095,605	11,454,825	4,581,604	5,068,639	5,736,233	5,699,044
Total liabilities	12,080,851	10,692,596	11,682,770	3,260,211	1,478,498	1,657,221	2,260,461	2,228,838
Shareholders' Equity	7,467,056	7,140,765	8,412,835	8,194,614	3,103,106	3,411,418	3,475,772	3,470,206
Net income (loss) per share, continuing operations	(0.01)	(0.06)	(0.03)	0.48	(0.01)	(0.01)	(0.01)	(0.02)
Diluted net income (loss) per share, continuing operations	(0.01)	(0.06)	(0.03)	0.47	(0.01)	(0.01)	(0.01)	(0.02)
Net income (loss) per share, discontinued operations	-	-	-	0.34	(0.01)	0.00	0.01	(0.00)
Diluted net income (loss) per share, discontinued operations	-	-	-	0.34	(0.01)	0.00	0.01	(0.00)
Basic weighted average number of shares outstanding	16,431,045	16,368,031	15,976,571	15,832,968	15,752,525	15,752,525	15,752,525	15,741,840
Basic weighted average number of shares outstanding	16,431,045	16,368,031	15,976,571	16,097,776	15,752,525	15,752,525	15,752,525	15,917,469

Acquisitions

Effective March 17, 2023, the Company entered into a Purchase and Sale Agreement to purchase all of the member interests of All American Title Co., Inc., AmeriFirst Title, LLC, AAT Holdings, LLC, Ameripine, LLC and Amcap Title, LLC ("AAT") for an aggregate amount of \$9,245,369 comprised of:

- (i) a cash payment of \$1,800,000;
- (ii) secured non-interest bearing promissory notes in the aggregate amount of \$4,500,000 due and payable 12 months following the closing date. These notes are secured pursuant to a Pledge and Security Agreement whereby the membership interests represented by the amount of the note are pledged as security until the particular promissory note is paid in full (See note 15). The proportion of membership interests that were represented by the cash amount have not been pledged as security for these notes. In addition, the indebtedness has been guaranteed by Starrex;
- (iii) secured convertible notes in the amount of \$2,700,000 (See Note 15) bearing interest at 6% per annum and due 36 months from the closing date conditional upon earn out provisions based on a target EBITDA for the entities acquired. To the extent annual EBITDA targets are met, the holders will be entitled to receive a pro-rated payment. If the annual targets are not met the holders are not entitled to receive a prepayment. At the end of the three year term, the principal amount of the notes outstanding will be adjusted downwards by an amendment to the notes or by cancellation depending on the average performance achieved by the entities over the term of the notes. Interest is payable in cash semi-annually in arrears unless such interest amount is converted at the option of the holder and payable in common shares of Starrex based on the closing price of Starrex shares on the trading day prior to the conversion date. In addition, the holder of the notes may elect to convert all or any part of the principal amount into Starrex shares at a price of \$2.09 (See Note 15). These notes are secured pursuant to a Pledge and Security Agreement whereby the membership interests represented by the amount of the note are pledged as security until the particular promissory note is paid in full. The proportion of membership interests that were represented by the cash amount have not been pledged as security for these notes. In addition, the indebtedness has been guaranteed by Starrex.;
- (iv) the issuance of 250,000 shares of Starrex common stock \$1.20 per share (See Note 13); and.
- (v) Starrex also provided \$1,000,000 of working capital as of the closing date of the transaction.

All American Title Co., Inc. was acquired due to its accretive value and the alignment of corporate vision in the mortgage and real estate space in which Starrex operates. Since 2014, Starrex has operated consumer credit reporting agencies, staff appraisal and appraisal management subsidiaries, all of which are in the same market space as mortgage title insurance.

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

Consideration Paid	\$9,245,369
Working capital	1,000,000
Accounts receivable	4,000
Property and equipment	50,575
Other assets	32,391
Customer relationships	1,281,000
Non-competition agreements	653,000
Accounts payable	(44,934)
Right-of-use Assets	602,578
Lease liabilities	(651,787)
Goodwill	6,318,546
	\$9,245,369

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

	Nine Months Ended September 30	Acquisition Date through September 30
Revenue	\$ 5,744,722	\$ 4,680,717
Net Income (loss)	\$ 157,268	\$ 422,219

Results of Operations, Overall Performance and Trends

As at September 30, 2023, All American Title has been proudly serving Minnesota and Western Wisconsin for more than 24 years. The Company has 7 strategically positioned locations throughout the Twin Cities allowing it to service the entire metro area. All American has also been a leading provider of title services in Northeast and Central Minnesota through its Hibbing, Virginia and Perham offices. The acquisition of All American Title Co., Inc. closed on March 17, 2023 for total consideration of \$9,245,369 (See Note 4 of the Interim Consolidated Financial Statements).

Revenue associated with All American Title Co., Inc. from the date of acquisition through September 30, 2023, was \$4,680,717 and is derived from title insurance settlement fees and premiums. The company paid \$371,012 in commissions for the title insurance activities and operating expenses of \$3,887,486 (including interest expense), resulting in net income of \$422,219. Depreciation and amortization expenses through September 30, 2023, were \$293,712.

The title division continued to outperform the overall market and remained profitable despite record high U.S. interest rates, minimal refinance activity and the lowest volume of housing sales in years. Management appropriately right sized the business operations in preparation for the seasonality of the mortgage industry, which historically reports lower activity in the winter months, while remaining well positioned to capitalize on new opportunities or improved market conditions.

Since the acquisition of All American Title Co., Inc., the Company reported a 92% client retention rate, which is significantly higher than the historical average of 80%. In addition, All American outperformed overall market trends with a minor decrease in sales volume of 16.41% from March 2023 through September 30, 2023, when compared to the same period last year. Home sales in the United States has declined by 30% year over year for the first three quarters of 2023 compared to 2022.

Our credit reporting segment, MFI Credit Solutions, LLC, continues to see a decline in activity as interest rates increase. The subsidiary reported \$2,160,688 in revenue associated with credit reporting activity for the nine months ended September 30, 2023 compared to \$3,137,602 for the nine months ended September 30, 2022. Operating expenses for the six months ended September 30, 2023, were \$2,318,267, which includes transaction fees, resulting in a net operating loss of \$157,679 (September 30, 2022 – net operating income of \$98,530).

The Corporate segment generated \$490,991 in consulting income through the first nine-months ended September 30, 2023 (September 30, 2022 - \$87,500). Starrex provides management consulting and support services to third parties in the same market space.

Revenue

Consolidated revenue increased by \$4,293,791 over the same period in 2022 is primarily attributable to the acquisition of All American Title Co., Inc. The corporate CGU contributed \$559,142 in management, consulting and other miscellaneous income (September 30, 2022 - \$87,500) along with \$118,346 in interest income (September 30, 2022 - \$nil).

Expenses

Consolidated operating expenses for the nine months ended September 30, 2023, were \$8,297,401 and include commissions paid for title insurance activity along with costs associated with providing credit reports to consumers (September 30, 2022 - \$3,513,808). The Company also reported \$148,860 in accretion expense along with \$1,007,394 in expected credit loss associated with the notes receivable. A fair value adjustment of \$117,202 was also recognized on the convertible note payable as it is measured at fair value at the end of each reporting period. See *Liquidity and Capital Resources*.

Depreciation and Amortization

Most of the Company's assets, which consist of property and equipment, software, customer relationships and non-compete agreements, are amortized over 4-5 years for equipment and 5-10 years for customer relationships. For the nine months ended September 30, 2023, the Company reported \$416,565 in depreciation and amortization (September 30, 2022 – 216,953). The large increase in depreciation and amortization expense is attributed to the acquisition of All American Title Co., Inc.

Income Taxes

Net income taxes of \$1,458,607 were accrued as at December 31, 2022, and paid in full in April 2023. These amounts were attributable to the gain on sale associated with the sale of assets in Property Interlink, LLC and Reliable Valuation Service, LLC effective November 7, 2022.

Trends

Mortgage interest rates have been experiencing an upward trend, primarily influenced by the Federal Reserve's monetary policy actions aimed at curbing inflation. The Federal Reserve has been increasing the federal funds rate, which leads to higher mortgage rates. This trend was consistent with efforts to reduce the overheated housing market and broader economy following the stimulus measures during the COVID-19 pandemic.

As rates increase, mortgage application volume typically declines, since higher borrowing costs often deter potential homebuyers and make refinancing less attractive. In addition, the housing market has cooled due to the higher rates, which contributes to the reduction in the number of applications.

Net income (loss)

The consolidated loss reported for continuing operations for the first nine months of 2023 was \$778,508 (September 30, 2022 – net loss of \$288,706). The company reported the following other expenses (See note 10 and 15 of September 30, 2023 Interim Consolidated Financial Statements), which resulted in a net comprehensive loss as at September 30, 2023 of \$1,817,560.

Accretion expense	(148,860)
Gain on fair value of asset / liability	117,202
Expected credit loss	(1,007,394)

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

Basic and diluted net loss per share has been calculated based on the weighted average number of common shares outstanding as at September 30, 2023, of 16,431,045 (December 31, 2022 – 15,832,968).

Discontinued Operations

Starrex International Ltd. reached an agreement to divest substantially all the related assets of Property Interlink, LLC, an appraisal management company, and Reliable Valuation Service, LLC, a staff appraisal company, effective September 30, 2022. The transaction closed on November 7, 2022. These amounts have been classified as discontinued operations.

As a result, the operating results of Property Interlink, LLC and Reliable Valuation Service, LLC for the periods ended September 30, 2023 and 2022 have been classified as net income from discontinued operations in the consolidated statements of income (loss) and comprehensive income (loss).

The purchase price paid by the purchaser to the Company for Property Interlink, LLC and Reliable Valuation Service, LLC comprised of (i) a cash payment of \$9,450,000 (subject to standard working capital adjustments); and (ii) amounts held escrow by the purchaser of \$300,000 (the "purchase price escrowed amount") and \$50,000 (the "retention escrow amount"). The Buyers will release an amount equal to all of the remaining funds in the Retention Escrow account minus any pending indemnification claim amount on November 7, 2023. The Purchase Price Escrow amount will be released upon receipt of Joint Direction from both Sellers and Buyers upon mutual agreement that trialing expenses and revenues have been reconciled and closed. As at September 31, 2023, the purchase price escrowed funds of \$300,000 were paid in full.

To conform with the current period classification of the discontinued operations, prior year results have been reclassified to discontinued operations.

Net income from discontinued operations of the divestitures is as follows:

	Three Months Ended Sept 30 2022	Nine Months Ended Sept 30 2022
Revenue		
Contracts with customers	\$ 2,466,987	\$ 9,463,671
Expenses		
Transaction costs	1,674,242	6,439,602
Payroll expenses	468,122	1,465,097
General and administrative	493,586	1,435,969
Depreciation and amortization	(41,222)	34,068
Professional expenses	46,689	151,330
Total expenses	2,641,417	9,536,066
Income from discontinued operations	\$ (174,430)	\$ (62,395)
Income tax expense	-	15,999
Net income from discontinued operations	\$ (174,430)	\$ (78,394)

Risks and Uncertainties

There are certain risks and uncertainties inherent in the activities of the Company, including the following:

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 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.

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. As at September 30, 2023, the Company had a \$nil balance in the reserves for credit losses and had no material past due trade receivables (December 31, 2022 - \$nil).

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.

For all other financial instruments, the Company recognizes the loss allowance for that financial instrument at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk on these other financial instruments since initial recognition, lifetime ECLs are recognized.

The Company has not experienced any collection issues with respect to its escrow receivable. The Company has provided a \$1,007,394 balance in reserves for expected credit losses as at September 30, 2023, associated with the promissory notes (December 31, 2022 - \$nil).

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 September 30, 2023, the Company had cash of \$5,181,664 (December 31, 2022 - \$7,856,519) available to settle current liabilities of \$10,562,680 (December 31, 2022 - \$3,174,696). The Company is currently in negotiations to restructure the current notes payable balance of \$9,195,486 which will mitigate the liquidity risk and provide additional operating capital to fulfil debt obligations.

The Company has the following undiscounted contractual obligations subject to liquidity risk, in addition to those relating to lease liabilities disclosed in Note 8.

	<1 year	2-5 years	< 5 years
Accounts payable and accrued liabilities	\$ 1,110,179	\$ -	\$ -
Note payable (Note 15)	9,350,000	2,700,000	-
Total	\$ 10,460,179	\$ 2,700,000	\$ -

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 on the note payable to Agents National Title Insurance Company is prime less \$0.50 and is payable monthly. The Company also accrues interest expense on the convertible note payable associated with the acquisition of All American Title Co., Inc. The fair value of future cash flows of our financial instruments will fluctuate due to changes in market interest rates. The Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

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, 2023, 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.

	September 30, 2023	December 31, 2022
Accounts receivable	60,323	27,380
Accounts payable and accrued liabilities	-	(31,268)
Total	60,323	(3,888)

Deferred Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent 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.

The Company recorded \$189,759 in deferred income tax recovery associated with the equity portion of the convertible note as at September 30, 2023 (September 30, 2022 - \$nil).

Segmented Disclosures

The Company organizes its reporting structure into three 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. Starrex Insurance Holdings, Inc. and Starrex Technical Services, LLC are included in the Corporate segment.

The three reportable operating segments are as follows:

- i) Starrex International Ltd., or Corporate, manages the wholly owned subsidiaries, as well as shareholder services and corporate governance.
- ii) MFI Credit Solutions, LLC manages consumer credit reporting and maintains all of the ordering, tracking, administrative duties and details required to support consumer credit reporting activities.
- iii) All American Title Co., Inc. provides services required to transfer title to property in a real estate transaction and includes services such as searching, abstracting, examining, closing, and insuring the condition of the title to the property.

Select financial information for the nine months ended September 30, 2023 is presented as follows:

	MFI Credit Solutions, LLC	All American Title Co., Inc.	Corporate	Total
Current assets	\$ 644,372	\$ 1,928,287	\$ 7,467,772	\$ 10,040,431
Property and equipment	2,971	50,585	229,873	283,429
Intangible assets	564,453	1,740,600	-	2,305,053
ROU Assets	-	502,265	98,183	600,448
Goodwill	-	6,318,546	-	6,318,546
Total assets	1,211,796	10,540,283	7,795,828	19,547,907
Current liabilities	806,051	108,839	9,647,790	10,562,680
Long-term liabilities	-	552,550	965,621	1,518,171
Total liabilities	806,051	661,389	10,613,411	12,080,851
Revenues	2,160,688	4,680,717	677,488	7,518,893
Operating Expenses	2,318,267	4,258,498	1,720,636	8,297,401
Accretion expense	-	-	(148,860)	(148,860)
Gain on fair value of asset / liability	-	-	117,202	117,202
Expected credit loss	-	-	(1,007,394)	(1,007,394)
Operating income (loss) from continuing operations before provision for income tax	(157,579)	422,219	(2,082,200)	(1,817,560)
Deferred income tax recovery	-	-	189,759	189,759
Net income (loss) and comprehensive loss for the period	(157,579)	422,219	(1,892,441)	(1,627,801)

Select financial information for the nine months ended September 30, 2022 is presented as follows:

	MFI Credit Solutions, LLC	Corporate	Total
Current assets	\$ 609,907	\$ 873,714	\$ 1,483,621
Property and equipment	8,113	232,907	241,020
Intangible assets	684,000	68,739	752,739
ROU Assets	-	181,725	181,725
Goodwill	294,156	-	294,156
Total assets	\$ 1,596,176	\$ 1,357,085	\$ 2,953,261
Current liabilities	\$ 513,552	\$ 270,964	\$ 784,516
Long-term liabilities	-	113,821	113,821
Total liabilities	\$ 513,552	\$ 384,795	\$ 898,337
Revenues	\$ 3,137,602	\$ 87,500	3,225,102
Expenses	\$ 3,039,072	\$ 472,788	3,511,860
Operating income (loss) from continuing operations before provision for income tax	\$ 98,530	\$ (385,288)	\$ (286,758)
Income tax expense	-	\$ 1,948	\$ 1,948
Net income (loss) and comprehensive loss for the period	\$ 98,530	\$ (387,236)	\$ (288,706)

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.

Business Combinations

Applying the business 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. The acquisition of All American Title Co., Inc., is classified as a business combination with the notes payable measured at amortized cost or FVTPL. The net gains or losses, including any interest expense, are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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.

Financial Information Controls and Procedures

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 2022 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 2022 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 quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.