

# **Starrex International Ltd.**

Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2015

(Unaudited)

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

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

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the audited financial statements as at December 31, 2014. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the end of the reporting period. In the opinion of management, the condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*(Signed): "Dr. Deborah M. Ramirez"*  
Chief Financial Officer

November 30, 2015

### **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. These unaudited condensed interim consolidated financial statements as at, and for the three-month and nine-month periods ended, September 30, 2015, have not been reviewed by the Company's auditors.

**Starrex International Ltd.**Condensed Interim Consolidated Statements of Financial Position  
(Unaudited) (stated in United States dollars)

	September 30 2015	December 31 2014
<b>Current Assets</b>		
Cash and cash equivalents	\$ 487,299	\$ 1,379,204
Prepaid expenses	\$ 32,153	9,725
Accounts receivable	265,026	345,093
Other current assets	1,020,085	-
Current assets of discontinued operations (note 14)	-	454,722
	<b>1,804,563</b>	<b>2,188,744</b>
<b>Non-current Assets</b>		
Goodwill	829,692	1,576,020
Property, plant and equipment, net of depreciation (note 4)	365,916	-
Intangible assets (note 5)	492,055	-
Long-term notes receivable (note 7)	965,000	-
Non-current assets of discontinued operations (note 14)	-	1,066,085
<b>Total Assets</b>	<b>\$ 4,457,226</b>	<b>\$ 4,830,849</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 3)	\$ 222,130	\$ 305,111
Deferred revenue	-	90,607
Note payable (note 11)	-	101,124
Income taxes payable	-	40,161
Current liabilities from discontinued operations (note 14)	-	34,304
	<b>222,130</b>	<b>571,307</b>
<b>Long-term liabilities</b>		
Note payable (note 11)	205,764	150,204
Deferred tax liability	355,420	355,424
Non-current liabilities from discontinued operations	-	-
<b>Total liabilities</b>	<b>783,313</b>	<b>1,076,935</b>
<b>Capital and reserves</b>		
Share capital (note 8)	5,138,672	5,080,803
Contributed surplus (note 9)	148,203	148,203
Accumulated other comprehensive income	(181,294)	(181,294)
Deficit	(1,431,668)	(1,293,796)
<b>Total equity</b>	<b>3,673,913</b>	<b>3,753,916</b>
<b>Total equity and liabilities</b>	<b>\$ 4,457,226</b>	<b>\$ 4,830,849</b>

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

**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Income and Comprehensive Income

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2015	2014	2015	2014
<b>Income</b>				
Investment income	\$ 417	\$ 2,153	\$ 966	\$ 5,799
Operating income	<b>1,504,463</b>	620,836	<b>4,493,494</b>	620,836
	<b>1,504,880</b>	622,989	<b>4,494,460</b>	626,635
<b>Expenses</b>				
Administrative	<b>219,491</b>	256,729	<b>603,942</b>	316,938
Share-based payments	-	13,583	<b>0</b>	24,367
Professional fees	<b>81,845</b>	96,387	<b>235,905</b>	240,818
Payroll expense	<b>1,288,339</b>	500,078	<b>3,731,188</b>	500,078
Interest expense	<b>4,629</b>	-	<b>10,144</b>	267
Amortization (note 5)	<b>3,357</b>	-	<b>10,071</b>	-
Depreciation (note 4)	<b>14,611</b>	-	<b>41,082</b>	-
	<b>1,612,272</b>	866,777	<b>4,632,332</b>	1,082,468
<b>Income (loss) before provision for income taxes</b>	<b>(107,391)</b>		<b>(137,872)</b>	(455,832)
<b>Provision for income taxes</b>				
<b>Net income for the period from continuing operations</b>	<b>(107,391)</b>	(243,788)	<b>(137,872)</b>	(455,832)
<b>Net income for the period from discontinued operations (note 14)</b>	-	59,562	-	59,562
<b>Foreign Currency Translation</b>		4,411	-	4,411
<b>Net comprehensive income (loss) for the period</b>	<b>\$ (107,391)</b>	\$ (179,815)	<b>\$ (137,872)</b>	\$ (391,859)
<b>Basic and diluted net income (loss) per share</b>	<b>\$ (0.01)</b>	\$ (0.02)	<b>\$ (0.01)</b>	\$ (0.05)
<b>Weighted average number of common shares outstanding</b>	<b>14,364,115</b>		<b>14,364,115</b>	

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

For the nine-month periods ended September 30, 2015  
(Unaudited) (stated in United States dollars)

	Share Capital					
	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated other comprehensive income	Total
<b>Balance, December 31, 2013</b>	8,116,870	\$ 2,318,042	\$ 15,029	\$ (906,336)	\$ -	\$ 1,426,735
Share based payments			27,312		-	\$ 27,312
Issuance of share capital	5,763,957	2,975,879				\$ 2,975,879
Foreign currency translation gain					4,411	\$ 4,411
Net loss for the period				(444,169)	-	\$ (444,169)
<b>Balance, September 30, 2014</b>	<b>13,880,827</b>	<b>5,293,921</b>	<b>42,341</b>	<b>(1,350,505)</b>	<b>4,411</b>	<b>\$ 3,990,168</b>
<b>Balance, December 31, 2014</b>	<b>14,430,827</b>	<b>\$ 5,080,803</b>	<b>\$ 148,203</b>	<b>\$ (1,293,796)</b>	<b>\$ (181,294)</b>	<b>\$ 3,753,916</b>
Foreign currency translation					\$ -	\$ -
Issuance of shares for acquisition	50,000	\$ 57,869				\$ 57,869
Net income (loss) for the period				(137,872)		\$ (137,872)
<b>Balance, September 30, 2015</b>	<b>14,480,827</b>	<b>5,138,672</b>	<b>148,203</b>	<b>(1,431,668)</b>	<b>(181,294)</b>	<b>\$ 3,673,913</b>

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

**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Cash Flows

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

	<b>Three Months Ended Sept 30</b>		<b>Nine Months Ended Sept 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>				
Net Comprehensive Income (Loss) for the period	<b>\$ (107,391)</b>	<b>\$ (180,290)</b>	<b>\$ (137,872)</b>	<b>\$ (392,334)</b>
Items not affecting cash:				
Share-based payments	-	13,583	-	24,367
Depreciation and amortization	-	-	-	-
	<b>(107,391)</b>	<b>(166,707)</b>	<b>(137,872)</b>	<b>(367,968)</b>
Other sources (uses) of cash from operations:				
Prepaid expenses	<b>8,503</b>	28,544	<b>(22,428)</b>	16,963
Accounts receivable	<b>36,438</b>	(376,823)	<b>519,998</b>	(510,647)
Accounts payable and accrued liabilities	<b>(205,127)</b>	199,825	<b>(248,053)</b>	85,566
GHT/HST payable	-	-	-	-
Income taxes payable	<b>40,161</b>	-	<b>40,161</b>	-
Cash generated from (used in) continuing activities	<b>(227,416)</b>	(315,161)	<b>151,806</b>	(776,086)
Cash generated from (used in) discontinued operating activities	-	-	-	-
Cash generated from (used in ) operating activities	<b>(227,416)</b>	<b>(315,161)</b>	<b>151,806</b>	<b>(776,086)</b>
<b>Investing activities</b>				
Disposal of assets	<b>7,141</b>		<b>491,986</b>	-
Acquisition of Subsidiaries	<b>(28,329)</b>		<b>573,355</b>	
Capitalized Assets	<b>(101,696)</b>		<b>(110,896)</b>	
Divestiture of subsidiary	<b>(25,136)</b>	-	<b>(1,985,085)</b>	-
Cash provided by investing activities	<b>(148,020)</b>	-	<b>(1,030,640)</b>	-
<b>Financing activities</b>				
Received from trust	-	6,273	-	798,611
Long term notes payable	<b>(45,136)</b>		<b>(85,723)</b>	
Issuance of share capital	<b>57,869</b>	795,089	<b>57,869</b>	795,089
Cash provided in by financing activities	<b>12,733</b>	801,362	<b>(27,854)</b>	1,593,700
Effect of foreign exchange of cash		-	-	-
<b>(Decrease) increase in cash and equivalents</b>	<b>(362,703)</b>	<b>486,201</b>	<b>(906,688)</b>	<b>817,615</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>850,002</b>	1,063,905	<b>1,393,987</b>	732,491
<b>Cash and cash equivalents, end of period</b>	<b>\$ 487,299</b>	<b>\$ 1,550,107</b>	<b>\$ 487,299</b>	<b>\$ 1,550,107</b>
<b>Supplemental disclosure of cash flow information:</b>				
Interest received	<b>417</b>	2,655	<b>966</b>	4,088

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# Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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## 1. Business of the Company

### Nature of Business

Starrex International Ltd., formerly Starrex Mining Corporation Limited (“Starrex” or the “Company”) was incorporated on October 2, 1982 pursuant to the Canada Business Corporations Act under the name Starrex Mining Corporation Limited. The Company's address is 199 Bay Street, Suite 2200, Toronto, Ontario M5L 1G4. The Company's primary business is to acquire, manage and grow companies in the United States active in mortgage, real estate and other financial sectors.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors.

## 2. Significant Accounting Policies

### a. *Statement of compliance*

The Company has prepared these unaudited condensed interim consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual financial statements as at December 31, 2014. The notes to these unaudited condensed interim consolidated financial statements are intended to provide a description of events and transactions that are significant to an understanding to the changes in the Company's financial position and performance since December 31, 2014. Certain disclosures that appear in the annual financial statements have not been produced in the unaudited condensed interim consolidated financial statements and, in this regard only, these unaudited condensed interim consolidated financial statements do not conform in all respects to the requirements of IFRS for annual financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should only be read in conjunction with the annual financial statements as at December 31, 2014.

### b. *Basis of presentation*

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value, and include all of the accounts of Starrex International Ltd. and its subsidiary (collectively, the “Company”). All significant intercompany accounts and transactions have been eliminated in consolidation.

On November 24, 2015, the Company reclassified the financial results of One Force Staffing, Inc. and Olympia Capital Management, Inc. to discontinued operations in the Company's condensed interim consolidated financial statements as at September 30, 2015, and for the three and nine months ended September 30, 2015. Intercompany accounts and transactions related to One Force Staffing, Inc. and Olympia Capital Management, Inc. are presented separately between the Company's continuing and discontinued operations.

Unless otherwise stated, the discussion of the Company's business and financial information throughout these condensed interim consolidated financial statements refers to the Company's continuing operations and results from continuing operations.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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### **2. Significant Accounting Policies - continued**

In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### ***a. Accounting Estimates and Judgments***

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to these unaudited condensed interim consolidated financial statements are as follows:

- i.* Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values requires the use of estimates and assumptions related to future operating performance and discount rates, differences in these estimates and assumptions could have a significant impact on the unaudited condensed interim consolidated financial statements. No impairment has been recorded for the periods ended September 30, 2015 and December 31, 2014.
- ii.* Significant judgment is involved in the determination of useful life for the computation of depreciation of equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.
- iii.* Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets requires a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. Specifically, the purchase price allocations described in note 3 required significant estimates, as each allocation is preliminary.

#### ***e. Functional currency***

As at September 30, 2015, the Company and all of its subsidiaries' functional and presentation currencies are the U.S. dollar ("USD"). On January 1, 2015, Starrex



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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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International Ltd., the parent company, changed its functional currency from the Canadian dollar (“CAD”) to USD. In conjunction with the change in functional currency, the Company changed its presentation currency from CAD to USD. All historical comparative financial results have been translated to USD.

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

### 3. Business Combinations

#### (a) *Acquisition of Property Interlink, LLC*

On July 9, 2014, the Company completed the acquisition of Proper Interlink, LLC, a Colorado limited liability company. The Company acquired all of the issued and outstanding shares of Property Interlink, LLC in exchange for the issuance of 1,260,000 common shares of the Company with a fair value of \$591,312.

The Company completed its assessment of the fair value for the consideration paid for Property Interlink, LLC, which was purchased on July 9, 2014. The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

#### **Consideration Paid**

Fair Value of 1,260,000 Starrex common shares issued July 9, 2014	\$ 591,312
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#### **Allocation of purchase price:**

Property, equipment and intangibles	439,434
Goodwill	\$ 151,878

#### (b) *Acquisition of One Force Staffing, Inc.*

On July 9, 2014, the Company completed the acquisition of One Force Staffing, Inc., a Texas corporation. The Company acquired all of the issued and outstanding shares of Once Force Staffing, Inc. in exchange for the issuance of 1,260,000 common shares of the Company with a fair value of \$591,312.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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### 3. Business Combinations

The Company completed its assessment of the fair value for the consideration paid for One Force Staffing, Inc., which was purchased on July 9, 2014. The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

One Force Staffing

**Consideration Paid:**

Fair Value of 1,260,000 Starrex common shares issued July 9, 2014 **\$ 591,312**

**Allocation of purchase price:**

Property, plant and equipment	307,215
Goodwill	284,097
	<b>\$ 591,312</b>

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#### (c) Acquisition of Olympia Capital Management, Inc.

On July 9, 2014, the Company completed the acquisition of Olympia Capital Management, Inc., a Florida corporation. The Company acquired all of the issued and outstanding shares of Property Interlink, LLC in exchange for the issuance of 1,260,000 common shares of the Company with a fair value of \$591,513.

The Company completed its assessment of the fair value for the consideration paid for Olympia Capital Management, Inc., which was purchased on July 9, 2014. The following sets forth the allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Olympia Capital Management, Inc.

**Consideration Paid:**

Fair Value of 1,260,000 Starrex common shares issued July 9, 2014 **\$ 591,312**

**Allocation of purchase price:**

Property, plant and equipment	317,552
NPV of Client Base	147,360
Goodwill	126,601
	<b>\$ 591,513</b>

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#### (b) Acquisition of Heinen & Associates

On November 19, 2014, Property Interlink, LLC, a wholly-owned subsidiary of Starrex International Ltd., completed the acquisition of Heinen & Associates, LLC a United States based entity. All of the membership interest of Heinen & Associates, LLC were exchanged in consideration of \$631,441,

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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which was satisfied by: (i) payment of \$50,000 in cash; (ii) issuance of a promissory note by Property Interlink, LLC in the aggregate amount of \$250,000 (*Note 11*); (iii) rental reimbursement obligation of \$25,000; and (v) issuance of 450,000 common shares of Starrex with a fair value of \$306,441.

The Company completed its assessment of the fair value for the consideration paid for Heinen & Associates, LLC, which was purchased on November 19, 2014. The following sets forth the allocation of the purchase price to intangible assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Heinen & Associates, LLC

**Consideration Paid:**

Promissory Note	\$ 250,000
Heinen rental reimbursement	25,000
Cash payment	50,000
Fair Value of 450,000 Starrex common shares issued November 19,	\$ 306,441
<b>Allocation of purchase price:</b>	<b>\$ 631,441</b>

NPV of Client Base	359,606
Goodwill	271,835

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*(c) Acquisition of Brownlee Appraisal Services, Inc.*

On June 1, 2015, Property Interlink, LLC, a wholly-owned subsidiary of Starrex International Ltd., completed the acquisition of Brownlee Appraisal Services, Inc., a United States based entity. All of the membership interest of Brownlee Appraisal Services, Inc. were exchanged in consideration of \$57,869, which was satisfied by the issuance of 50,000 common shares of Starrex with a fair value of \$57,869.

The Company completed its assessment of the fair value for the consideration paid for Heinen & Associates, LLC, which was purchased on June 1, 2015. The following sets forth the allocation of the purchase price to intangible assets acquired and liabilities assumed, based on estimates of fair value, including a summary of major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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Brownlee Appraisal Services, Inc.

**Consideration Paid:**

Fair Value of 50,000 Starrex common shares issued	<b>\$57,869</b>
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**Allocation of purchase price:**

NPV of Client Base	62,588
Goodwill	(4,719)

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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**4. Property and Equipment**

	<b>Furniture &amp; Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>			
As at December 31, 2013 & September 30, 2014	\$ 11,863	-	\$ 11,863
Additions	754,460	173,831	928,291
As at December 31, 2014	\$ 766,323	\$ 173,831	\$ 940,154
Additions	47,680	-	\$ 47,680
Divestitures	\$ (449,851)	\$ (108,831)	\$ (558,682)
As at September 20, 2015	\$ 364,152	\$ 65,000	\$ 429,152
<b>Accumulated depreciation</b>			
As at December 31, 2013 & September 30, 2014	\$ 11,863	\$ -	\$ 11,863
Expense	59,689	10,703	70,393
December 31, 2014	\$ 71,552	\$ 10,703	\$ 82,255
Expense	55,736	7,500	63,236
As at September 20, 2015	\$ 127,288	\$ 18,203	\$ 145,491
<b>Net book value</b>			
As at December 31, 2014	\$ 694,771	\$ 163,127	\$ 857,899
As at September 20, 2015	\$ <b>308,416</b>	\$ <b>57,500</b>	\$ <b>365,916</b>

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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### 5. Intangible Assets

	Business Software & Website (1)	Proprietary Software (2)	Customer Lists (3)	Total
<b>Cost</b>				
As at December 31, 2013 & September 30, 2014	\$ -	\$ -	\$ -	\$ -
Additions	169,281	55,151	-	224,432
As at December 31, 2014	\$ 169,281	\$ 55,151	\$ -	\$ 224,432
Additions	-	181,592	172,973	\$ 354,565
Divestiture	(64,229)			
<b>As at September 30, 2015</b>	<b>\$ 105,052</b>	<b>\$ 236,743</b>	<b>\$ 172,973</b>	<b>\$ 514,768</b>
<b>Accumulated depreciation</b>				
As at December 31, 2013 & June 30, 2014	\$ -	\$ -	\$ -	\$ -
Expense	16,245	-	-	16,245
As at December 31, 2014	\$ 16,245	\$ -	\$ -	16,245
Expense	12,031	10,682	-	22,713
<b>As at September 30, 2015</b>	<b>\$ 28,276</b>	<b>\$ 10,682</b>	<b>\$ -</b>	<b>\$ 38,958</b>
<b>Net Book Value</b>				
As at December 31, 2014	\$ 153,036	\$ 55,151	\$ -	\$ 208,187
<b>As at September 30, 2015</b>	<b>\$ 93,021</b>	<b>\$ 226,061</b>	<b>\$ -</b>	<b>\$ 492,055</b>

(1) The Company has engaged software development companies to develop appraisal management software, general business software, and a website to be used by the Company to generate further revenues. The business software and website are depreciated under a straight line method over five years.

(2) Property Interlink, LLC engaged a software development company to develop proprietary software in support of Property Interlink's appraisal activities. As the software is not yet complete, no depreciation has been recorded.

(3) Fair value of \$172,973 was allocated to the acquisition of certain customer lists for Heinen and Associates, LLC as well as Brownlee Appraisal Services.

### 6. Related party transactions

The Company had the following transactions with officers and directors of the Company and private companies controlled by officers and directors of the Company for management consulting and other services required by the Company:

- a. The Company incurred \$188,838 in management fees during the nine months ended September 30, 2015 (September 30, 2014 - \$54,000) to the COO, CFO and Senior Vice President for services provided to the Company. All amounts have been paid accordingly.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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### 6. Related party transactions - continued

- a. For the period ended September 30, 2015, Amcap Mortgage Ltd., a customer related by common management, the Chief Executive Officer, accounted for \$3,581,942 in revenue to the Company. As at September 30, 2015, \$58,905 is included in accounts receivable on the condensed interim consolidated statements of financial position.

### 7. Notes Receivable

The Company entered into agreements effective May 1, 2015, to divest Olympia Capital Management, Inc. and One Force Staffing, Inc. (*note 15*). A promissory note for \$1,100,000 was received for Olympia Capital Management, Inc., with an additional promissory note for \$830,000 as consideration for the sale of One Force Staffing, Inc. Both of these promissory notes carry a 5% compounded monthly interest rate. The current portion of these notes receivable is \$965,000 with the remaining \$965,000 due after one year.

### 8. Share Capital

#### Authorized

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

<b>Issued</b>	<b>Number of common shares</b>	<b>Amount</b>
<b>Balance, December 31, 2012</b>	3,449,566	\$ 1,217,644
Private placement, net	3,600,000	833,572
Finders' fees on private placement	128,000	32,000
Debt settlement	939,304	234,826
<b>Balance, December 31, 2013</b>	<b>8,116,870</b>	<b>\$ 2,318,042</b>
Private placement, net	1,983,957	\$ 971,691
Acquisitions	3,780,000	\$ 1,890,000
<b>Balance, September 30, 2014</b>	<b>13,880,827</b>	<b>\$ 5,179,733</b>
Acquisition	450,000	\$ 355,500
Issuance of shares to management	100,000	\$ 98,000
<b>Balance, December 31, 2014</b>	<b>14,430,827</b>	<b>\$ 5,633,233</b>
Acquisition	50,000	\$ 57,869
<b>Balance, September 30, 2015</b>	<b>14,480,827</b>	<b>\$ 5,691,102</b>

- i) During December 2014, the Company completed a private placement of 1,983,957 common shares, at CAD \$0.50 per share, for gross proceeds of \$930,576. The Company incurred issuance costs of \$19,032.
- ii) During December 2014, the Company issued 100,000 common shares as compensation to a member of management, income valued at \$98,000 and included in share-based payments in

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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the consolidated statements of income (loss) and comprehensive income (loss).

- iii) During June 2015, the Company issued 50,000 common shares valued at \$57,869 as consideration for the acquisition of Brownlee Appraisal Services, Inc.

### 9. Share-based payments

The Company has a stock option plan (the "Plan") that enables its directors, officers, employees, consultants, and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors. Under the terms of the Plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

#### Details of options outstanding, all amounts in CAD:

	Number of options	Weighted average exercise price \$
Outstanding, January 1, 2014	50,000	0.17
Granted	700,000	0.23
Outstanding, December 31, 2014	750,000	0.23
Granted	-	-
Oustanding, September 30, 2015	750,000	0.23

	Common Shares Under option	Number of Options Vested	Exercise Price	Expiry Date
Granted May 21, 2013	50,000 <sup>(1)</sup>	50,000	\$ 0.16 <sup>(5)</sup>	May 21, 2018
Granted April 17, 2014	550,000 <sup>(2)</sup>	550,000	0.20 <sup>(6)</sup>	April 16, 2019
Granted May 29, 2014	50,000 <sup>(3)</sup>	50,000	0.45 <sup>(7)</sup>	May 29, 2019
Granted September 1, 2015	100,000 <sup>(4)</sup>	100,000	1.28 <sup>(8)</sup>	September 1, 2020

<sup>(1)</sup> A Director of the Company holds these options. One half of the options vested May 21, 2014. The remaining options vested on May 21, 2015.

<sup>(2)</sup> Directors of the Company hold these options. They are fully vested. Of the options originally granted to directors on April 17, 2014, 100,000 options held by a director were cancelled on September 14, 2015, 90 days following his ceasing to hold office.

<sup>(3)</sup> A Consultant of the Company holds these options. They are fully vested.

<sup>(4)</sup> An Executive Officer of the Company holds these options. They are fully vested.

<sup>(5)</sup> The exercise price is CAD \$0.20.

<sup>(6)</sup> The exercise price is CAD \$0.25.

<sup>(7)</sup> The exercise price is CAD \$0.57.

<sup>(8)</sup> The exercise price is CAD \$1.70.



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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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### 9. Share-based payments - continued

The following weighted average assumptions were used to calculate the fair value of the stock options granted during the period:

	<b>September 30 2015</b>	December 31 2014
Dividend yield	N/A	Nil
Risk free interest rate (%)	<b>1.03-1.06</b>	1.03-1.06
Expected stock volatility (%)	<b>80.32-100.76</b>	80.32-100.76
Expected life (years)	<b>5</b>	5

### 10. Net income (loss) per share

Basic and diluted income (loss) per share has been calculated based on the weighted average number of common shares outstanding of 14,480,827 for the nine months ended September 30, 2015 (2014 – 8,564,042) and 14,480,827 for the three month period (2014 – 9,023,007). Stock options were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

### 11. Note Payable

On November 19, 2014, Property Interlink, LLC, a subsidiary of Starrex International Ltd. completed the acquisition of Heinen & Associates, LLC (*Note 3*), for consideration which included the issuance of a promissory note in the aggregate amount of \$250,000. The promissory note has an interest rate of 4.5% per annum with semi-annual principal payments of \$50,000 and applicable interest starting May 1, 2015 and ending May 1, 2017.

As of September 30, 2015, \$102,010 of the outstanding balance is due within 1 year and \$103,754 of the balance is due after 1 year. During the period ended September 30, 2015, the Company recorded interest expense of \$8,907 (2014 – Nil) on the promissory note, which is unpaid and included in the value of the note payable on the statement of financial position at the end of the period.

### 12. Capital Disclosures

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide return for shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity as capital, which totals \$3,673,913 as at September 30, 2015 (December 31, 2014 - \$3,753,916). The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the six months ended September 30, 2015.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

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### **13. Financial Risk Factors**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and note payable. As at September 30, 2015, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed in varying degrees to a variety of financial instrument related risks:

#### ***Credit Risk***

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. As at September 30, 2015 (December 31, 2014 – Nil), no allowance for doubtful accounts was recorded.

#### ***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, 2015, the Company had cash and cash equivalents of \$487,299 (September 2014 - \$1,737,476) available to settle current financial liabilities of \$222,120 (September 2014 - \$521,955).

#### ***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.

#### ***Future Impairments***

The Company is considered to be at risk for a future impairment of its goodwill in the event of a decline in general economic, market or business conditions or any significant unfavorable changes in the Company's forecasted revenue, expenses, cash flows, weight-average cost of capital and/or market transaction multiples. For the nine months ended September 30, 2015, there were no changes in the factors described above that would significantly impact the fair value of the Company and suggest an impairment review should be performed. The Company will continue to monitor events and circumstances that could negatively impact the key assumptions in determining its fair value.

### **13. Segmented Disclosures**

The Company organizes its reporting structure into two reportable segments. For management purposes, the Company is organized into segments based on their products and services provided. Management monitors the operating results of each segment separately for the purpose of making decisions about resource allocation and performance assessment.

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

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The two reportable operating segments are as follows:

i) Property Interlink, LLC manages appraisal companies and maintains all of the ordering, tracking, administrative duties, and details and ensures the timeliness of appraisals that are handled during a real estate mortgage transaction. Heinen & Associates LLC, which was acquired during the 2014 year and Brownlee Appraisal Services, Inc., which was acquired during the current year, are integrated with the Property Interlink segment.

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

Select financial information as at September 30, 2015 is presented as follows:

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2015 and 2014

(Unaudited) (stated in United States dollars)

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**14. Discontinued Operations**

On May 1, 2015, the Company completed the divestiture of Olympia Capital Management, Inc. and One Force Staffing, Inc. through an asset sale.

The following sets forth the allocation of the disposition of Olympia Capital Management, Inc. and One Force Staffing, Inc. effective May 1, 2015:

Olympia Capital Management, Inc.	
<b>Proceeds from sale of subsidiary effective May 1, 2015</b>	<b>\$ 1,100,000</b>
Property, equipment and intangibles	423,064
Accounts receivable	617,458
Gain on sale of subsidiary	\$ 59,478
	<b>1,100,000</b>
<hr/>	
One Force Staffing, Inc.	
<b>Proceeds from sale of subsidiary effective May 1, 2015</b>	<b>\$ 830,000</b>
Property, equipment and intangibles	279,844
Accounts receivable	275,807
Gain on sale of subsidiary	\$ 274,349
	<b>830,000</b>
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