Starrex International Ltd.

Consolidated Financial Statements

December 31, 2016 and 2015

Expressed in U.S. Dollars

Table of Contents
December 31, 2016 and 2015

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Loss and Comprehensive Loss	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 – 26

Independent Auditors' Report

To the Shareholders of Starrex International Ltd.:

We have audited the accompanying consolidated financial statements of Starrex International Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Starrex International Ltd. as at December 31, 2016 and 2015, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 27, 2017

MNP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in United States dollars

		December 31, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**97,975**	$	176,457
Accounts receivable (Notes 6 and 8)		**305,446**		408,932
Prepaid expenses		**71,331**		47,840
Notes receivable (Note 8)		**1,930,000**		-
		2,404,752		633,229
Non-current assets				
Notes receivable (Note 8)		**-**		1,930,000
Property and equipment, net of depreciation (Note 4)		**271,848**		348,821
Intangible assets (Note 5)		**617,325**		738,483
Goodwill (Note 7)		**621,132**		621,132
Total Assets	**$**	**3,915,057**	$	4,271,665
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**749,885**	$	313,503
Deferred revenue		**253,035**		83,765
Note payable (Note 13)		**90,191**		100,382
Income taxes payable		**16,000**		32,230
		1,109,111		529,880
Long term liabilities				
Note payable (Note 13)		**-**		50,191
Deferred tax liability (Note 11)		**168,974**		283,484
Total liabilities		**1,278,085**		863,555
Capital and reserves				
Share capital (Note 9)		**6,745,651**		6,745,651
Contributed surplus		**247,226**		247,226
Accumulated other comprehensive income		**(261,534)**		(261,534)
Deficit		**(4,094,371)**		(3,323,233)
Total equity		**2,636,972**		3,408,110
Total equity and liabilities	**$**	**3,915,057**	$	4,271,665

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

On behalf of the Board:

Signed: "Matthew D Hill"
Chairman

Signed: "Ronald K. Mann"
Director

Starrex International Ltd.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the fiscal years ended December 31, 2016 and 2015

Expressed in U.S. Dollars

		2016		2015
Income				
Revenue (Note 6)	$	**6,520,556**	$	5,821,520
Interest income		**87,352**		76,084
		6,607,908		5,897,604
Expenses				
Payroll expense		**5,482,430**		4,859,027
General and administrative		**786,260**		663,809
Professional fees		**654,893**		466,062
Management and corporate services (Note 6)		**333,627**		275,188
Depreciation and amortization (Notes 4 and 5)		**216,707**		197,596
Shareholder services		**17,439**		11,782
Government, regulatory and filing fees		**13,381**		15,544
Interest expense (Note 13)		**5,049**		12,643
Share based payments (Notes 6 and 10)		**-**		99,022
Impairment on goodwill (Note 7)		**-**		149,301
		7,509,786		6,749,974
Loss before provision for income taxes		**(901,878)**		(852,370)
Recovery of income taxes (Note 11)		**(130,740)**		(3,250)
Net loss from continuing operations		**(771,138)**		(849,120)
Loss from discontinued operations, net of tax (Note 18)		**-**		(125,281)
Net loss and comprehensive loss for the year	$	**(771,138)**	$	(974,401)
Basic and diluted net loss per share from continuing operations (Note 12)	$	**(0.05)**	$	(0.06)
Basic and diluted net loss per share from discontinued operations (Note 12)		**-**		(0.01)
Basic and diluted loss per share	$	**(0.05)**	$	(0.07)
Weighted average number of common shares outstanding		**14,480,827**		14,457,676

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the fiscal years ended December 31, 2016 and 2015

Expressed in U.S. Dollars

	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2015	**14,430,827**	**$ 6,678,321**	**$ 148,204**	**$ (2,348,832)**	**$ (261,534)**	**$ 4,216,159**
Issuance of shares for acquisitions (Note 3)	50,000	67,330	-	-	-	67,330
Share based payments	-	-	99,022	-	-	99,022
Net loss for the year	-	-	-	(974,401)	-	(974,401)
Balance, December 31, 2015	**14,480,827**	**$ 6,745,651**	**$ 247,226**	**$ (3,323,233)**	**$ (261,534)**	**$ 3,408,110**
Net loss for the year	-	-	-	(771,138)	-	(771,138)
Balance, December 31, 2016	**14,480,827**	**$ 6,745,651**	**$ 247,226**	**$ (4,094,371)**	**$ (261,534)**	**$ 2,636,972**

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

Starrex International Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

Expressed in U.S. Dollars

		December 31, 2016		December 31, 2015
Cash flows from operating activities				
Net loss for the year	**$**	**(771,138)**	$	(849,120)
Loss from discontinued operations		**-**		(125,281)
Items not affecting cash:				
Depreciation and amortization		**216,707**		197,596
Unpaid interest		**5,049**		12,640
Share based payments		**-**		99,022
Impairment of goodwill		**-**		149,301
Deferred income tax		**(114,514)**		(35,480)
Net change in non-cash working capital items relating to operating activities				
Accounts receivable		**103,486**		512,156
Prepaid expenses		**(23,491)**		(35,205)
Accounts payable and accrued liabilities		**614,596**		2,381
Income tax payable		**(16,230)**		32,230
Deferred revenue		**(8,940)**		(6,842)
Cash provided by (used in) operating activities		**5,525**		(46,602)
Net change in non-cash working capital items relating to discontinued operations		**-**		(836,841)
Cash flows from investing activities				
Purchase of property and equipment		**(8,767)**		(85,275)
Purchase of intangible assets		**(9,809)**		(135,417)
Cash used in investing activities		**(18,576)**		(220,692)
Cash flows from financing activities				
Principal repayment on notes payable		**(65,431)**		(113,395)
Cash used in financing activities		**(65,431)**		(113,395)
Decrease in cash during the year		**(78,482)**		(1,217,530)
Cash and cash equivalents, beginning of year		**176,457**		1,393,987
Cash and cash equivalents, end of year	**$**	**97,975**	$	176,457

Supplemental Cash Flow Information (Note 15)

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

1. Business of the Company

Nature of Business

Starrex International Ltd., formerly Starrex Mining Corporation Limited ("Starrex" or the "Company"), was incorporated on October 2, 1982 pursuant to the Canada Business Corporation 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 consolidated financial statements were approved by the Board of Directors on March 27, 2017.

2. Significant Accounting Policies

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2016.

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

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of Consolidation

These consolidated financial statements include the Company and its wholly-owned subsidiary, Property Interlink, LLC, which was acquired July 9, 2014, and Heinen & Associates, LLC, a wholly-owned subsidiary of Property Interlink, LLC, which was acquired November 19, 2014 and Brownlee Appraisal Services Inc. which was acquired June 1, 2015. One Force Staffing, LLC and Olympia Capital Management, LLC were divested August 18, 2015 (Note 18). All subsidiaries at year end are 100% owned, directly or indirectly, and controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses, have been eliminated upon consolidation.

2. Significant Accounting Policies – continued

Business Combinations

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

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

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statements of loss and comprehensive loss.

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

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

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

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

2. Significant Accounting Policies - continued

Use of Estimates and Judgments

The preparation of these 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 consolidated financial statements are as follows:

a) Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values requires the use of estimates and assumptions related to future operating performance and discount rates, differences in these estimates and assumptions could have a significant impact on the consolidated financial statements. An impairment charge of $NIL has been recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2016 (2015 - $149,301).

b) Significant judgment is involved in the determination of useful life for the computation of depreciation of property and equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

c) Significant judgment is involved in the assessment of the recoverable amount of the note receivable (Note 8). As at December 31, 2016, no principal repayments have been collected by the Company.

   The terms of the agreement have been amended providing for interest only payments due and payable quarterly commencing on July 14, 2016 with principal and any outstanding interest being fully due April 14, 2017.

d) Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets require a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates.

2. Significant Accounting Policies - continued

Functional Currency

On January 1, 2015, Starrex International Ltd., the parent company, changed its functional currency from the Canadian dollar ("CAD") to the U.S. dollar ("USD"). This reflects the fact that the majority of the Company's business is influenced by an economic environment denominated in U.S. currency; as well, the Company earns revenues in USD. The change in accounting treatment was applied prospectively. In conjunction with the change in functional currency, the Company changed its presentation currency from CAD 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.

Revenue Recognition

Appraisal Services

Property Interlink, LLC manages appraisal companies and maintains all of the ordering, tracking, administrative duties, and details and ensures the timeliness of appraisals that are handled during a real estate mortgage transaction.

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

Intangible Assets

The Company's intangible assets consist of:

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

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

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

2. Significant Accounting Policies - continued

Internally Generated Intangible Assets

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

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

Financial Instruments

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

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

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

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

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

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

2. Significant Accounting Policies - continued

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2016 and 2015:

All of the Company's financial instruments recorded at fair value through profit and loss are Level 1 instruments. The Company's financial instruments are comprised of the following:

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

Impairment of Financial Assets

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

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

Impairment of Non-Financial Assets

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

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

2. Significant Accounting Policies - continued

Cash and Cash Equivalents

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

Income Taxes

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

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

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

Stock-based Compensation

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

Loss Per Share

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

2. Significant Accounting Policies - continued

Standards Issues or Amended Which Will be Adopted in Future Periods

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

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

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

Expressed in U.S. Dollars

3. Business Combinations

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 outstanding shares of Brownlee Appraisal Services, Inc. were exchanged for consideration of $67,330, which was satisfied by the issuance of 50,000 common shares of Starrex with a fair value of $67,330.

The following sets forth the final 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 50,000 Starrex common shares issued June 1, 2015	$	67,330
Allocation of purchase price:		
Intangible assets	$	33,439
Deferred income tax		(13,242)
Goodwill		47,133
	$	67,330

Expressed in U.S. Dollars

4. Property and Equipment

	Furniture & Equipment	Leasehold Improvements	Total
Cost			
As at January 1, 2015	$ 764,512	$ 173,831	$ 938,343
Additions	83,075	2,200	85,275
Disposals	(449,851)	(103,830)	(553,681)
As at December 31, 2015	397,736	72,201	469,937
Additions	8,767	-	8,767
As at December 31, 2016	**$ 406,503**	**$ 72,201**	**$ 478,704**
Accumulated depreciation			
As at January 1, 2015	$ 69,682	$ 10,762	$ 80,444
Disposals	(74,515)	(10,592)	(85,107)
Expense	108,201	17,578	125,779
As at December 31, 2015	103,368	17,748	121,116
Expense	75,426	10,314	85,740
As at December 31, 2016	**$ 178,794**	**$ 28,062**	**$ 206,856**
Net book value			
As at December 31, 2015	$ 294,368	$ 54,453	$ 348,821
As at December 31, 2016	**$ 227,709**	**$ 44,139**	**$ 271,848**

Expressed in U.S. Dollars

5. Intangible Assets

	Business Software & Website (1)	Proprietary Software (2)	Non-Compete Agreements (3)	Customer Relationships (4)	Total
Cost					
As at January 1, 2015	$ 169,281	$ 55,151	$ 360,195	$ 774,363	$ 1,358,990
Additions	-	135,417	-	33,439	168,856
Disposals	(102,168)	-	(217,352)	(315,667)	(635,187)
As at December 31, 2015	67,113	190,568	142,843	492,135	892,659
Additions	-	9,809	-	-	9,809
As at December 31, 2016	**$ 67,113**	**$ 200,377**	**$ 142,843**	**$ 492,135**	**$ 902,468**
Accumulated depreciation					
As at January 1, 2015	$ 16,247	$ -	$ 31,688	$ 49,646	$ 97,581
Disposals	(15,887)	-	(35,253)	(51,199)	(102,339)
Expense	20,704	28,451	42,980	66,799	158,934
As at December 31, 2015	21,064	28,451	39,415	65,246	154,176
Expense	13,426	39,830	28,497	49,214	130,967
As at December 31, 2016	**$ 34,490**	**$ 68,281**	**$ 67,912**	**$ 114,460**	**$ 285,143**
Net Book Value					
As at December 31, 2015	$ 46,049	$ 162,117	$ 103,428	$ 426,889	$ 738,483
As at December 31, 2016	**$ 32,623**	**$ 132,096**	**$ 74,931**	**$ 377,675**	**$ 617,325**

(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.

(2) Property Interlink, LLC engaged a software development company to develop proprietary software in support of Property Interlink’s appraisal activities.

(3 & 4) The purchase price allocation of the acquisitions of Property Interlink, LLC., Heinen & Associates, LLC. and Brownlee Appraisal Services Inc. included values for non-compete agreements for key employees in each of the subsidiaries as well as values for the existing customer relationships. These values have been included in the intangible assets.

6. Related Party Transactions

AmCap Mortgage Ltd.

AmCap Mortgage Ltd., a customer related by common management, the Chief Executive Officer until November 1, 2016, accounted for $4,201,866 (2015 - $4,572,737) of revenue to the Company. As at December 31, 2016, $36,240 (2015 – $82,173) is included in accounts receivable on the consolidated statements of financial position.

Key Management Compensation

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

i) The Company incurred $120,000 in management fees in 2016 (2015 - $120,050) to the Chief Operating Officer for services provided. These fees are included in management and corporate services. At December 31, 2016, all amounts had been paid.

ii) The Company incurred $108,347 in management fees in 2016 to the Chief Financial Officer (2015 - $120,045) for services provided. These fees are included in management and corporate services. At December 31, 2016, all amounts had been paid.

iii) The Company incurred $105,280 in management fees in 2016 to the current Chief Executive Officer (2015 – $NIL) for services provided in his current capacity as Chief Executive Officer and, prior to November 1, 2016, in his previous role as Senior Vice President. These fees are included in management and corporate services and share-based payments, respectively. At December 31, 2016, all amounts had been paid.

iv) The Company issued NIL stock options (2015 – 100,000) to various Directors and Consultants of the Company valued at $NIL (2015 – $95,316). The expense, as applicable, is included in share-based payments.

v) The Company incurred management fees of $Nil in 2016 (2015 - $35,093) to the Senior Vice President for services provided. As the Senior Vice President became the Chief Executive Officer on November 1, 2016, the fees paid to Senior Vice President have been included in the management fees paid to the Chief Executive Officer (see Note 6(iii) above). The expense, as applicable, is included in management and corporate services. As at December 31, 2016, all amounts have been paid.

Expressed in U.S. Dollars

7. Goodwill

Goodwill is not amortized, but is evaluated for impairment annually or when indicators of a potential impairment are present. The Company's impairment testing is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. The Company's annual goodwill impairment testing determined that the carrying value of the goodwill included in each of the Company's reportable segments (Note 17) did not exceed their value in use and, as a result, the Company did not report an impairment charge. The change in net carrying amount of goodwill for the years ended December 31, 2016 and 2015 are as follows:

	Property Interlink, LLC	One Force Staffing Inc.		Olympia Capital Managem ent, Inc.		Total
Balance, January 1, 2015	573,999	264,203	-	526,352	-	1,364,554
Acquisition June 1, 2015	47,133	-		-		47,133
Impairment	-	-		(149,301)		(149,301)
Divestitures	-	(264,203)		(377,051)		(641,254)
Balance, December 31, 2015	**$ 621,132**	**$ -**		**$ -**		**$ 621,132**
Balance, December 31, 2016	**$ 621,132**	**$ -**		**$ -**		**$ 621,132**

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

Reportable Segment:	**2016 WACC**	**2015 WACC**
Property Interlink, LLC. *	20.0%	30.0%

*The operations of Heinen and Associates and Brownlee Appraisal Services are included in the reportable segment of Property Interlink, LLC.

8. Notes Receivable

The Company entered into agreements effective May 1, 2015, to divest Olympia Capital Management, Inc. and One Force Staffing, Inc. through an asset sale. Unsecured promissory notes ("promissory notes") for $1,100,000 and $830,000 were received for Olympia Capital Management, Inc. and One Force Staffing, Inc., respectively. The promissory notes carry a 5% interest rate compounded monthly. The promissory notes were repayable in equal installments of $965,000 commencing November 30, 2015 with the full balance due May 31, 2016.

The Company amended the terms of the notes receivable. The amended terms are as follows; interest only payments shall be due and payable quarterly commencing July 14, 2016, with principal and any outstanding interest coming fully due April 14, 2017. Upon the occurrence and during the continuance of any event of default the notes receivable shall bear interest at a rate of 8%. As at December 31, 2016, the notes receivable are classified in current assets on the consolidated statements of financial position and the notes receivable are in compliance with the amended terms.

During the year ended December 31, 2016, the Company recorded interest income of $87,352 (2015 – $76,084) of which $20,622 (2015 - $50,392) is outstanding and included in accounts receivable on the consolidated statements of financial position at year end.

Expressed in U.S. Dollars

9. Share Capital

Authorized

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

	Number of common shares	Amount
Balance, January 1, 2015	14,430,827	$ 6,678,321
Acquisition of Brownlee Appraisal Services, Inc. (Note 3)	50,000	67,330
Balance, December 31, 2016 and 2015	**14,480,827**	**$ 6,745,651**

10. Share-Based Payments

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

Details of options outstanding:	**Number of Options**	**Weighted Average Exercise Price ($)**
Outstanding, January 1, 2015	750,000	0.23
Cancelled	(100,000)	0.18
Granted	100,000	1.23
Outstanding, December 31, 2016 and 2015	**750,000**	**0.33**

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

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

The Company incurred $NIL in share-based payment expense for options in 2016 (2015 - $99,022), as all outstanding options vested prior to 2016 and no options were granted during 2016 (2015 – 100,000) and no options were cancelled during 2016 (2015 – 100,000).

Expressed in U.S. Dollars

11. Income Taxes

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

		2016		2015
Current tax provision				
Current tax (recovery) expense	**$**	**(16,230)**	$	32,230
Deferred tax (recovery)		**(114,510)**		(35,480)
	$	**(130,740)**	$	(3,250)

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%) to the effective tax rate is as follows:

		2016		2015
Loss before recovery of income taxes	**$**	**(901,878)**	$	(852,370)
Expected income tax recovery	**$**	**(239,000)**	$	(225,878)
Difference in foreign tax rates		**(1,760)**		5,660
Tax rate changes and other adjustments		**(171,380)**		(190,750)
Non-deductible expenses		**(52,990)**		38,750
Unrealized foreign exchange		**(3,340)**		2,390
Change in tax benefits not recognized		**337,730**		366,578
Income tax recovery	**$**	**(130,740)**	$	(3,250)

Deferred Tax

The following table summarizes the components of deferred tax:

		2016		2015
Non-capital loss	**$**	**7,656**	$	-
Property and equipment		**(47,120)**		(120,956)
Intangible assets		**(129,510)**		(162,528)
Net deferred tax liability	**$**	**(168,974)**	$	(283,484)

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

Expressed in U.S. Dollars

11. Income Taxes - continued

Deferred Tax - continued

Movement in net deferred tax liabilities:

		2016		2015
Balance, beginning of year	**$**	**(283,484)**	$	(734,939)
Recognized in net comprehensive loss		**114,510**		35,480
Recognized in discontinued operations		-		402,733
Recognized in goodwill		-		13,242
Balance, end of year	**$**	**(168,974)**	$	(283,484)

Unrecognized Deferred Tax

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

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

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2017. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

2026	$	40,520
2027		41,480
2029		68,530
2030		60,050
2031		61,550
2032		90,900
2033		128,280
2034		478,970
2035		731,440
2036		900,730
	$	2,602,500

Expressed in U.S. Dollars

12. Net Loss per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding in 2016 of 14,480,827 (2015 – 14,457,676). Stock options were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

13. Note Payable

On November 19, 2014, Property Interlink, LLC, a subsidiary of Starrex International Ltd. completed the acquisition of Heinen & Associates, LLC. Consideration 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.

On December 1, 2016, the Company renegotiated the payment terms of the promissory note as follows: commencing December 1, 2016, payments of $10,000 along with accrued and outstanding interest will be payable monthly. All other terms and conditions of the Agreement remains in full force and effect.

As of December 31, 2016, $90,191 of the outstanding balance is due within 1 year. During the year ended December 31, 2016, the Company recorded interest expense of $5,049 (2015 – $12,643). Of the total interest expense, $191 is unpaid and included in the value of the note payable on the consolidated statements of financial position at year end.

14. Capital Disclosures

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

The Company considers the items included in equity as capital, which totals $2,636,972 as at December 31, 2016 (2015 - $3,408,110).

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 have been no changes in the overall capital management strategy during the year.

15. Supplemental Cash Flow Information

		2016		2015
Operating cash flows include:				
Interest received	**$**	**66,940**	$	25,693
Interest paid	**$**	**-**	$	10,985
Non-cash financing activities				
Shares issued on business acquisitions	**$**	**-**	$	67,330

16. Financial Risk Factors

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities, and note payable. As at December 31, 2016, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following financial instrument related risks:

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. As at December 31, 2016, no allowance for doubtful accounts was recorded. The Company is also subject to credit risk on its notes receivable.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At December 31, 2016 the Company had cash and cash equivalents of $97,975 (2015 - $176,457) available to settle current liabilities of $1,109,111 (2015 - $529,880).

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and share-based payments (Note 10) that are denominated in a foreign currency. As at December 31, 2016, the Company held immaterial amounts of cash and cash equivalents and accounts receivable in CDN currency and considers foreign currency risk to be low.

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

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

Expressed in U.S. Dollars

17. Segmented Disclosures

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

The two reportable operating segments are as follows:

i) Property Interlink, LLC manages appraisal companies and maintains all of the ordering, tracking, administrative duties and details and ensures the timeliness of appraisals that are handled during a real estate mortgage transaction. Heinen & Associates LLC, which was acquired during the 2014 year and Brownlee Appraisal Services, Inc., which was acquired during the year ended December 31, 2015, 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 December 31, 2016 is presented as follows:

	Property Interlink, LLC	Corporate	Total
Current assets	$ 444,012	$ 1,960,740	$ 2,404,752
Note receivable	-		-
Property and equipment	271,848	-	271,848
Intangible assets	617,325	-	617,325
Goodwill	621,132	-	621,132
Total Assets	$ 1,954,317	$ 1,960,740	$ 3,915,057
Current liabilities	$ 727,506	$ 381,605	$ 1,109,111
Long-term liabilities	168,974	-	168,974
Total liabilities	$ 896,480	$ 381,605	$ 1,278,085
Revenues	$ 6,520,556	$ 87,352	$ 6,607,908
Expenses	$ 6,544,014	$ 965,772	$ 7,509,786
Operating income (loss) from continuing operations before provision for income tax	$ (23,458)	$ (878,420)	$ (901,878)

Expressed in U.S. Dollars

17. Segmented Disclosures – continued

Select financial information as at December 31, 2015 is presented as follows:

	Property Interlink, LLC	Corporate	Total
Current assets	$ 421,918	$ 211,311	$ 633,229
Notes receivable	-	1,930,000	1,930,000
Property and equipment	348,821	-	348,821
Intangible assets	738,483	-	738,483
Goodwill	621,132	-	621,132
Total Assets	$ 2,130,354	$ 2,141,311	$ 4,271,665
Current liabilities	$ 409,078	$ 120,802	$ 529,880
Long-term liabilities	333,675	-	333,675
Total liabilities	$ 742,753	$ 120,802	$ 863,555
Revenues	$ 5,821,520	$ 76,084	$ 5,897,604
Expenses	$ 5,895,336	$ 854,638	$ 6,749,974
Operating loss from continuing operations before provision for income tax	$ (73,816)	$ (778,554)	$ (852,370)

Expressed in U.S. Dollars

18. Discontinued Operations

Starrex International Ltd. reached an agreement to divest Olympia Capital Management, Inc., a consulting and software solutions corporation, along with One Force Staffing, Inc., a staffing and recruitment agency, with an effective date of May 1, 2015 in exchange for promissory notes receivable of $1,100,000 and $830,000, respectively.

The Company determined that control had not been transferred at the effective date, May 1, 2015, and that the Company held control of the net assets of One Force Staffing, Inc. and Olympia Capital Management, Inc. until August 18, 2015.

All revenue and expenses associated with the Olympia Capital Management, Inc. and One Force Staffing, Inc. operations have been classified as discontinued operations. The operating results from discontinued operations in Olympia Capital Management, Inc. and One Force Staffing, Inc. are summarized as follows:

For the year ended December 31, 2015	Olympia Capital Management, Inc.	One Force Staffing, Inc.	Total
Income			
Revenue	$ 94,434	$ 124,006	$ 218,440
Investment income	-	-	-
	94,434	124,006	218,440
Expenses			
Depreciation	28,526	16,901	45,427
Amortization	25,788	15,902	41,690
General and administrative	52,319	36,638	88,957
Payroll expense	177,313	87,496	264,809
Professional fees	-	49,388	49,388
	283,946	206,325	490,271
Operating loss from discontinued operations before for provision for income tax	(189,512)	(82,319)	(271,831)
Income tax on operations	72,275	28,812	101,087
Operating loss from discontinued operations	(117,237)	(53,507)	(170,744)
(Loss) gain on disposal of subsidiaries before provision for income tax	(8,233)	53,696	45,463
Provison for income taxes	-	-	-
(Loss) gain on disposal of subsidiaries	(8,233)	53,696	45,463
(Loss) income from discontinued operations	$ (125,470)	$ 189	$ (125,281)

The carrying value of Olympia Capital Management Inc. was $1,108,233 at the date of sale. Proceeds on the sale were $1,100,000 in the form of a note receivable (Note 8) resulting in a loss on disposition of $8,233. The carrying value of One Force Staffing, Inc. was $776,304 at the date of sale. Proceeds on the sale were $830,000 in the form of a note receivable (Note 8) resulting in a gain on disposition of $53,696.