

# **Starrex International Ltd.**

Condensed Interim Consolidated Financial Statements

Three and Nine-Months Ended September 30, 2018 and 2017

(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 consolidated financial statements as at December 31, 2017. 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 unaudited 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 L. Merritt"*  
Chief Financial Officer

November 16, 2018

### **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 and nine-months ended September 30, 2018 and 2017, have not been reviewed by the Company's auditors.

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**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Financial Position

(Unaudited) (Expressed in U.S. dollars)

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|  | September 30,<br>2018 | December 31,<br>2017 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| <b>Current Assets</b>                                |                       |                      |
| Cash and cash equivalents                            | \$ 121,546            | \$ 572,548           |
| Accounts receivable                                  | 630,993               | 279,185              |
| Prepaid expenses                                     | 70,213                | 21,172               |
| Notes receivable (Note 6)                            | -                     | 583,617              |
|  | <b>822,752</b>        | <b>1,456,522</b>     |
| <b>Non-Current Assets</b>                            |                       |                      |
| Property and equipment, net of depreciation (Note 4) | 196,977               | 192,598              |
| Intangible assets (Note 5)                           | 1,469,724             | 486,115              |
| Goodwill (Note 8)                                    | 915,288               | 621,132              |
| <b>Total Assets</b>                                  | <b>\$ 3,404,741</b>   | <b>\$ 2,756,367</b>  |
| <b>LIABILITIES</b>                                   |                       |                      |
| <b>Current Liabilities</b>                           |                       |                      |
| Accounts payable and accrued liabilities             | \$ 1,271,438          | \$ 750,683           |
| Deferred revenue                                     | 85,526                | 77,714               |
| Note payable (Note 12)                               | 457,548               | -                    |
|  | <b>1,814,512</b>      | <b>828,397</b>       |
| <b>Long Term Liabilities</b>                         |                       |                      |
| Deferred tax liability                               | 101,102               | 101,102              |
| <b>Total liabilities</b>                             | <b>1,915,614</b>      | <b>929,499</b>       |
| <b>Capital and Reserves</b>                          |                       |                      |
| Share capital (Note 9)                               | 6,779,711             | 6,779,711            |
| Contributed surplus (Note 10)                        | 267,634               | 230,196              |
| Accumulated other comprehensive income               | (261,534)             | (261,534)            |
| Deficit  | (5,296,684)           | (4,921,505)          |
| <b>Total equity</b>                                  | <b>1,489,127</b>      | <b>1,826,868</b>     |
| <b>Total liabilities and equity</b>                  | <b>\$ 3,404,741</b>   | <b>\$ 2,756,367</b>  |

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

**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the periods ended September 30, 2018 and 2017

(Unaudited) (Expressed in U.S. dollars)

|   | Three Months Ended Sept 30 |                    | Nine months ended Sept 30 |                     |
|---|----------------------------|--------------------|---------------------------|---------------------|
|   | 2018                       | 2017               | 2018                      | 2017                |
| <b>Income</b>   |                            |                    |                           |                     |
| Revenue   | \$ 2,586,343               | \$ 2,047,401       | \$ 7,371,162              | \$ 5,781,407        |
| Interest income   | -                          | 22,181             | 9,644                     | 69,565              |
|   | <b>2,586,343</b>           | <b>2,069,582</b>   | <b>7,380,806</b>          | <b>5,850,972</b>    |
| <b>Expenses</b>   |                            |                    |                           |                     |
| General and administrative                                  | 923,325                    | 361,494            | 2,489,470                 | 1,056,051           |
| Professional fees   | (22,202)                   | 40,890             | 79,241                    | 206,995             |
| Payroll expense   | 1,716,363                  | 1,643,884          | 4,923,369                 | 4,656,426           |
| Interest expense (Note 12)                                  | 7,562                      | 567                | 20,548                    | 1,677               |
| Impairment on notes receivable (Note 6)                     | -                          | -                  | -                         | 516,383             |
| Share based payments  | -                          | -                  | 25,500                    | -                   |
| Depreciation and amortization (Notes 4 and 5)               | 90,223                     | 53,799             | 217,857                   | 162,242             |
|   | <b>2,715,271</b>           | <b>2,100,634</b>   | <b>7,755,985</b>          | <b>6,599,774</b>    |
| <b>Loss before provision for income taxes</b>               | <b>(128,928)</b>           | <b>(31,052)</b>    | <b>(375,179)</b>          | <b>(748,802)</b>    |
| Income tax expense  | -                          | -                  | -                         | 10,446              |
| <b>Net comprehensive loss for the period</b>                | <b>\$ (128,928)</b>        | <b>\$ (31,052)</b> | <b>\$ (375,179)</b>       | <b>\$ (759,248)</b> |
| <b>Basic and diluted net loss per share</b>                 | <b>\$ (0.01)</b>           | <b>\$ (0.00)</b>   | <b>\$ (0.03)</b>          | <b>\$ (0.05)</b>    |
| <b>Weighted average number of common shares outstanding</b> | <b>14,580,827</b>          | <b>14,480,827</b>  | <b>14,580,827</b>         | <b>14,480,827</b>   |

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

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**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2018 and 2017

(Unaudited) (Expressed in U.S. dollars)

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|  | Number of<br>Shares | Value               | Contributed<br>Surplus | Deficit               | Accumulated<br>Other<br>Comprehensive<br>Income | Total               |
|--|---------------------|---------------------|------------------------|-----------------------|---|---------------------|
| <b>Balance, December 31, 2016</b>              | <b>14,480,827</b>   | <b>\$ 6,745,651</b> | <b>\$ 247,226</b>      | <b>\$ (4,094,371)</b> | <b>\$ (261,534)</b>                             | <b>\$ 2,636,972</b> |
| Net loss and comprehensive loss for the period | -                   | -                   | -                      | (759,248)             | -   | (759,248)           |
| <b>Balance, September 30, 2017</b>             | <b>14,480,827</b>   | <b>\$ 6,745,651</b> | <b>\$ 247,226</b>      | <b>\$ (4,853,619)</b> | <b>\$ (261,534)</b>                             | <b>\$ 1,877,724</b> |
| <b>Balance, December 31, 2017</b>              | <b>14,580,827</b>   | <b>\$ 6,779,711</b> | <b>\$ 230,196</b>      | <b>\$ (4,921,505)</b> | <b>\$ (261,534)</b>                             | <b>\$ 1,826,868</b> |
| Options granted                                | -                   | -                   | 25,500                 | -                     | -   | 25,500              |
| Convertible note                               | -                   | -                   | 63,000                 | -                     | -   | 63,000              |
| Contributed surplus                            | -                   | -                   | (51,062)               | -                     | -   | (51,062)            |
| Net loss and comprehensive loss for the period | -                   | -                   | -                      | (375,179)             | -   | (375,179)           |
| <b>Balance, September 30, 2018</b>             | <b>14,580,827</b>   | <b>\$ 6,779,711</b> | <b>\$ 267,634</b>      | <b>\$ (5,296,684)</b> | <b>\$ (261,534)</b>                             | <b>\$ 1,489,127</b> |

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

**Starrex International Ltd.**

Condensed Interim Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2018 and 2017

(Unaudited) (Expressed in U.S. dollars)

|   | September 30,<br>2018 | September 30,<br>2017 |
|---|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                                   |                       |                       |
| Net comprehensive loss for the period   | \$ (375,179)          | \$ (759,248)          |
| Items not affecting cash:   |                       |                       |
| Depreciation and amortization   | 217,855               | 162,242               |
| Income tax expense  | -                     | -                     |
| Impairment of note receivable   | -                     | 516,383               |
| Net change in non-cash working capital items relating to operating activities |                       |                       |
| Accounts receivable   | (351,810)             | 2,731                 |
| Prepaid expenses  | (49,041)              | 34,989                |
| Accounts payable and accrued liabilities                                      | 520,755               | 190,380               |
| Share based payments  | 25,500                | -                     |
| Deferred revenue  | 7,812                 | (192,160)             |
| Deferred tax liability  | -                     | 10,446                |
| Cash used in operating activities   | (4,108)               | (34,326)              |
| <b>Cash flows from investing activities</b>                                   |                       |                       |
| Proceeds from note receivables  | 583,617               | -                     |
| Purchase of property and equipment  | (47,845)              | (9,390)               |
| Proceeds from divestitures  | -                     | 830,000               |
| Goodwill  | (294,156)             | -                     |
| Contributed surplus   | (51,060)              | -                     |
| Acquisition of intangible assets  | (1,157,999)           | -                     |
| Cash used in / flows from investing activities                                | (967,443)             | 820,610               |
| <b>Cash flows from financing activities</b>                                   |                       |                       |
| Note payable  | 457,548               | -                     |
| Equity portion of note payable  | 63,000                | -                     |
| Principal repayment on notes payable  | -                     | (90,191)              |
| Cash flows from financing activities  | 520,548               | (90,191)              |
| <b>Decrease in cash and cash equivalents</b>                                  | <b>(451,003)</b>      | <b>696,093</b>        |
| <b>Cash and cash equivalents, beginning of period</b>                         | <b>572,548</b>        | <b>97,975</b>         |
| <b>Cash and cash equivalents, end of period</b>                               | <b>\$ 121,546</b>     | <b>\$ 794,158</b>     |

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

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# Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

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## 1. Business of the Company

### Nature of Business

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

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 13, 2018.

## 2. Significant Accounting Policies

### a. *Statement of compliance*

The Company has prepared these unaudited condensed interim consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, employing all of the same accounting policies and methods of computation as disclosed in the annual audited consolidated financial statements as at December 31, 2017, except as noted below. 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 of the changes in the Company's financial position and performance since December 31, 2017. Certain disclosures that appear in the annual audited consolidated 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 International Financial Reporting Standards ("IFRS") for annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements as at December 31, 2017.

### b. *Standards issues or amended which have been adopted on January 1, 2018*

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. The Company adopted IFRS 9 as of January 1, 2018 with no material impact on these unaudited condensed interim consolidated financial statements.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

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

#### ***b. Standards issues or amended which have been adopted on January 1, 2018 - continued***

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 adopted IFRS 15 on January 1, 2018. There was not a material impact to the unaudited condensed interim consolidated financial statements as a result of the adoption of this standard.

#### ***c. Standards issues or amended which will be adopted in future periods***

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.

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

#### ***e. Principles of Consolidation***

These consolidated financial statements include the Company and its wholly-owned subsidiaries, Property Interlink, LLC and MFI Credit Solutions, LLC, acquired February 9, 2018. All subsidiaries at period 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 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.



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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

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### 2. Significant Accounting Policies – continued

#### *f. 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, 2018 and 2017.
- 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.* Significant judgment is involved in the assessment of the recoverable amount of the note receivable (Note 6). As at March 31, 2017, no principal repayments had been collected by the Company. An impairment expense of \$516,383 was recognized during the period ended March 31, 2017, based on the assessment of the recoverable amount of the note receivable. The note receivable was collected during the first quarter of 2018. (Note 6).
- iv.* 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.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

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### 2. Significant Accounting Policies – continued

#### *g. Functional currency*

Starrex International Ltd., the parent company, and its subsidiaries have a functional currency of the U.S. dollar (“USD”). This reflects the fact that most of the Company’s business is influenced by an economic environment denominated in U.S. currency; as well, the Company earns revenues in USD. The presentation currency of these financial statements is USD.

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

### 3. Business Combinations

On February 9, 2018, the Company completed the acquisition of MFI Credit Solutions, LLC, a Wyoming limited liability company. The Company acquired all of the assets of MFI Credit Solutions, LLC in exchange for cash consideration of \$1,500,000.

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

|                                      |                     |
|--------------------------------------|---------------------|
| <b>Consideration Paid:</b>           |                     |
| Cash                                 | <b>\$ 1,500,000</b> |
| <hr/>                                |                     |
| <b>Allocation of purchase price:</b> |                     |
| Property, plant and equipment        | 47,846              |
| Credit bureau repository contracts   | 647,269             |
| Customer relationships               | 342,826             |
| Non-competition agreements           | 167,903             |
| Goodwill                             | 294,156             |
|                                      | <hr/>               |
|                                      | <b>\$ 1,500,000</b> |

The value allocated to the credit bureau repository contracts has an indefinite useful life and will be tested annually, along with goodwill, for impairment. The Company amortizes customer relationships and non-competition agreements over 5 years.

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**Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

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**4. Property and Equipment**

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**Starrex International Ltd.**

Fixed Assets as at September 30, 2018

|                                 | <b>Furniture &amp;<br/>Equipment</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b>      |
|---------------------------------|--------------------------------------|-----------------------------------|-------------------|
| <b>Cost</b>                     |                                      |                                   |                   |
| As at December 31, 2016         | \$ 406,503                           | \$ 72,201                         | \$ 478,704        |
| Additions                       | 9,390                                | -                                 | 9,390             |
| <b>As at December 31, 2017</b>  | <b>\$ 415,893</b>                    | <b>\$ 72,201</b>                  | <b>\$ 488,094</b> |
| Additions                       | 47,845                               | -                                 | \$ 47,845         |
| <b>As at September 30, 2018</b> | <b>\$ 463,738</b>                    | <b>\$ 72,201</b>                  | <b>\$ 535,939</b> |
| <b>Accumulated depreciation</b> |                                      |                                   |                   |
| As at December 31, 2016         | \$ 178,794                           | \$ 28,062                         | \$ 206,856        |
| Expense                         | 78,326                               | 10,314                            | 88,640            |
| <b>As at December 31, 2017</b>  | <b>\$ 257,120</b>                    | <b>\$ 38,376</b>                  | <b>\$ 295,496</b> |
| Expense                         | 35,838                               | 7,629                             | 43,466            |
| <b>As at September 30, 2018</b> | <b>\$ 292,958</b>                    | <b>\$ 46,004</b>                  | <b>\$ 338,962</b> |
| <b>Net book value</b>           |                                      |                                   |                   |
| As at December 31, 2017         | \$ 158,773                           | \$ 33,825                         | \$ 192,598        |
| <b>As at September 30, 2018</b> | <b>\$ 170,781</b>                    | <b>\$ 26,197</b>                  | <b>\$ 196,977</b> |

The Company purchased certain assets of MFI Credit Solutions effective February 9, 2018. The furniture, fixtures and equipment are depreciated over 7 and 5 years, respectively.

## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2018 and 2017  
(Unaudited) (stated in United States dollars)

### 5. Intangible Assets

#### Starrex International Ltd.

Intangible Assets as at September 30, 2018

|                                 | Business<br>Software &<br>Website | Proprietary<br>Software | Non-<br>Compete<br>Agreements | Customer<br>Relationships | Repository<br>Codes | Total               |
|---------------------------------|-----------------------------------|-------------------------|-------------------------------|---------------------------|---------------------|---------------------|
| <b>Cost</b>                     |                                   |                         |                               |                           |                     |                     |
| As at December 31, 2016         | \$ 67,113                         | \$ 200,377              | \$ 142,843                    | \$ 492,135                | \$ -                | \$ 902,468          |
| Additions                       | -                                 | -                       | -                             | -                         | -                   | -                   |
| As at December 31, 2017         | 67,113                            | 200,377                 | 142,843                       | 492,135                   | -                   | 902,468             |
| Additions                       | -                                 | -                       | 167,903                       | 342,827                   | 647,269             | 1,157,999           |
| <b>As at September 30, 2018</b> | <b>\$ 67,113</b>                  | <b>\$ 200,377</b>       | <b>\$ 310,746</b>             | <b>\$ 834,962</b>         | <b>\$ 647,269</b>   | <b>\$ 2,060,467</b> |
| <b>Accumulated depreciation</b> |                                   |                         |                               |                           |                     |                     |
| As at December 31, 2016         | \$ 34,490                         | \$ 68,281               | \$ 67,912                     | \$ 114,460                | \$ -                | \$ 285,143          |
| Expense                         | 13,428                            | 40,071                  | 28,497                        | 49,214                    | -                   | 131,210             |
| As at December 31, 2017         | \$ 47,918                         | \$ 108,352              | \$ 96,409                     | \$ 163,674                | \$ -                | \$ 416,353          |
| Expense                         | 9,933                             | 29,641                  | 42,516                        | 92,299                    | -                   | 174,389             |
| <b>As at September 30, 2018</b> | <b>\$ 57,851</b>                  | <b>\$ 137,993</b>       | <b>\$ 138,925</b>             | <b>\$ 255,973</b>         | <b>\$ -</b>         | <b>\$ 590,742</b>   |
| <b>Net Book Value</b>           |                                   |                         |                               |                           |                     |                     |
| As at December 31, 2017         | \$ 19,195                         | \$ 92,025               | \$ 46,434                     | \$ 328,461                | \$ -                | \$ 486,115          |
| <b>As at September 30, 2018</b> | <b>\$ 9,262</b>                   | <b>\$ 62,384</b>        | <b>\$ 171,821</b>             | <b>\$ 578,989</b>         | <b>\$ 647,269</b>   | <b>\$ 1,469,724</b> |

The purchase price allocation of MFI Credit Solutions, LLC effective February 9, 2018, included values for non-compete agreements for key employees as well as values for the existing customer relationships (Note 3). Additionally, values for credit bureau repository codes were also allocated accordingly and included in the intangible assets listed above. The useful life of the repository codes is indefinite and is not depreciated, but it is tested annually for impairment.

### 6. 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. Promissory notes for \$1,100,000 and \$830,000 were received for the assets of Olympia Capital Management, Inc. and One Force Staffing, Inc., respectively. The promissory notes carried a 5% interest rate. The promissory notes were originally payable in two equal installments of \$965,000 commencing November 30, 2015, the full balance due May 31, 2016.

Effective April 15, 2016, the Company amended the terms of the notes receivable. The amended terms are as follows: interest only payments became due and payable quarterly commencing July 14, 2016, with principal and any outstanding interest due April 14, 2017. Upon the occurrence and during the continuance of any event of default the note receivable would bear interest at a rate of 8%.

During the nine-month period ended September 30, 2018, the Company recorded interest income of \$9,644 (September 30, 2017 - \$69,565) of which \$Nil (September 30, 2017 - \$36,151) is outstanding and included in accounts receivable on the condensed interim consolidated statements of financial position. As at December 31, 2017, the note receivable was classified in current assets.

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## Starrex International Ltd.

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On April 14, 2017, the promissory notes for \$830,000 and \$1,100,000 received for the assets of One Force Staffing, Inc. and Olympia Capital Management, Inc., respectively, matured and became due and payable following a ten-day grace period, the notes were in default. However, on May 12, 2017, the promissory note for the assets of Once Force Staffing, Inc. was collected, including accrued interest. An impairment expense of \$Nil (September 30, 2017 - \$516,383) was recognized on the promissory note received for the assets of Olympia Capital Management, Inc. during the nine-month period ended September 30, 2018 in the condensed interim consolidated statements of loss and comprehensive loss. Effective February 6, 2018, the promissory note for the assets of Olympia Capital Management, Inc. was settled for \$650,000, inclusive of interest and principal.

### 7. 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:

Amcap Mortgage Ltd., a related customer (by Director) accounted for \$3,236,255 (2017 - \$3,211,005) of revenue to the Company for the nine-months ended September 30, 2018. As at September 30, 2018, \$20,570 (December 31, 2017 - \$35,557) is included in accounts receivable on the condensed interim consolidated statements of financial position. For three-months ended September 30, 2018, revenue derived from Amcap Mortgage Ltd was \$931,855 compared to \$1,301,470 during the same period in 2017.

The Company incurred \$247,920 in management fees during the nine-months ended September 30, 2018 (2017 - \$247,920) to the Chief Operations Officer, Chief Financial Officer and Chief Executive Officer for services provided to the Company. All amounts have been paid accordingly. For the three-months ended September 30, 2018, the Company incurred \$82,640 in management fees, which is unchanged from the three-months ended September 30, 2017.

### 8. Goodwill

The change in goodwill for the nine-month period ended September 30, 2018 was as follows:

|   | <b>Property<br/>Interlink,<br/>LLC</b> | <b>MFI<br/>Credit<br/>Solutions,<br/>LLC</b> | <b>Total</b>   |
|---|--|--|----------------|
| <b>Balance, December 31, 2016 and June 30, 2017</b> | 621,132                                | -  | 621,132        |
| <b>Balance, December 31, 2017</b>                   | \$ 621,132                             | \$ -   | <b>621,132</b> |
| Acquisition, February 9, 2018                       |  | 294,156                                      | 294,156        |
| <b>Balance, September 30, 2018</b>                  | <b>\$ 621,132</b>                      | <b>\$ 294,156</b>                            | <b>915,288</b> |

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### 9. Share Capital

#### Authorized

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

| Issued   | Number of<br>Common<br>Shares | Amount    |
|--|-------------------------------|-----------|
| <b>Balance, December 31, 2016 and September 30, 2017</b> | <b>14,480,827</b>             | 6,745,651 |
| Shares Issued - exercise of options                      | 100,000                       | 34,060    |
| <b>Balance, December 31, 2017 and September 30, 2018</b> | <b>14,580,827</b>             | 6,779,711 |

For information regarding common shares issuable pursuant to the exercise of stock options, see Note 10 “*Share-based Payments*” and for information regarding common shares issuable on conversion of an outstanding promissory note, see Note 12 “*Note Payable*.”

### 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 vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

During the period ended September 30, 2018, \$63,000 was recorded as contributed surplus for the equity portion of the convertible note payable and (\$51,062) was recorded as contributed surplus for acquisition costs relating to the purchase of MFI Credit Solutions, LLC.

#### Details of options outstanding:

|                                   | Number of<br>options | Weighted<br>average<br>exercise<br>price \$ |
|-----------------------------------|----------------------|---|
| Outstanding, December 31, 2016    | 750,000              | 1.33  |
| Exercise of options               | (100,000)            | 0.17  |
| Outstanding, December 31, 2017    | 650,000              | 0.35  |
| Granted                           | 50,000               | 0.41  |
| <b>Outstanding, June 30, 2018</b> | <b>700,000</b>       | <b>0.49</b>                                 |

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|                          | Common<br>Shares<br>Under<br>Option | Number of<br>Options<br>Vested | Exercise<br>Price      | Expiry Date       | Weighted<br>Average<br>Remaining<br>Life |
|--------------------------|-------------------------------------|--------------------------------|------------------------|-------------------|--|
| Granted April 17, 2014   | 550,000 <sup>(1)</sup>              | 550,000                        | \$ 0.19 <sup>(4)</sup> | April 17, 2019    | 0.77                                     |
| Granted August 25, 2015  | 100,000 <sup>(2)</sup>              | 100,000                        | \$ 1.31 <sup>(5)</sup> | September 1, 2020 | 2.18                                     |
| Granted February 9, 2018 | 50,000 <sup>(3)</sup>               | 50,000                         | \$ 0.41 <sup>(6)</sup> | February 9, 2023  | 4.62                                     |

(1) Directors of the Company hold these options. They are fully vested.

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

(3) A consultant of the company holds these options. They are fully vested.

(4) The exercise price is CAD \$0.25.

(5) The exercise price is CAD \$1.70.

(6) The exercise price is CAD \$0.51.

### 11. Net Loss Per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding of 14,580,827 for the nine-months ended September 30, 2018 (2017 – 14,480,827). Stock options, along with the convertible shares of the Note Payable (Note 10), were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

### 12. Note Payable

On January 23, 2018, the Company entered into a note purchase agreement. In return for an aggregate sum of \$500,000, the Company issued to the lender a note convertible at the option of the holder into common shares with a conversion price of \$0.73 per share, and with a maturity date of January 22, 2019. Interest accrues at 6% per annum. The principal of the note is convertible into 684,931 common shares and, if the note is held to maturity, all accrued and unpaid interest would be convertible in 41,095 common shares. The Company recorded \$20,548 in accrued interest for the nine-months ended September 30, 2018 (2017 - \$Nil). As at September 30, 2018, \$63,000 was reported as equity with the remaining principal balance of \$437,000 reported as short-term liability.

### 13. Capital Disclosures

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide a return for the 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 \$1,489,127 as at September 30, 2018 (December 31, 2017 - \$1,826,868).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements.

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The Company's capital management objectives, policies and processes have remained unchanged during the nine-months ended September 30, 2018.

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

### **14. 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 September 30, 2018, 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, 2018 and December 31, 2017 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, 2018, the Company had cash and cash equivalents of \$121,546 (December 31, 2017 - \$572,548) available to settle current financial liabilities of \$1,814,512 (December 2017 - \$828,397).

#### ***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 Company's note payable is at a fixed rate of interest and, as such, is not exposed to significant interest rate risk. 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 that are denominated in a foreign currency. As at September 30, 2018 and December 31, 2017, the Company held immaterial amounts of cash and cash equivalents in CDN currency and considers foreign currency low risk.



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### **15. Segmented Disclosures**

The Company organizes its reporting structure into three reportable segments. For management purposes, the Company is organized into segments based on the 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 three reportable operating segments are as follows:

- i) Starrex International Ltd, or Corporate, manages the wholly-owned subsidiaries, as well as shareholder services and corporate governance.
- ii) 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.
- iii) MFI Credit Solutions, LLC manages residential mortgage credit reporting and maintains all of the ordering, tracking, administrative duties, and details required to support real estate mortgage transactions.

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Selected financial information as at and for the nine-months ended September 30, 2018 is presented as follows:

| <b>As of and for the nine-<br/>month period ended<br/>September 30, 2018</b>             | <b>Property<br/>Interlink,<br/>LLC</b> | <b>MFI<br/>Credit<br/>Solutions,<br/>LLC</b> | <b>Corporate</b>  | <b>Total</b>        |
|--|--|--|-------------------|---------------------|
| Current assets   | \$ 426,531                             | \$ 374,946                                   | \$ 21,275         | \$ 822,752          |
| Note receivable  | -                                      | -  | -                 | -                   |
| Property and equipment   | 154,812                                | 42,165                                       | -                 | 196,977             |
| Intangible assets  | 163,238                                | 1,092,793                                    | 213,693           | 1,469,724           |
| Goodwill   | 621,132                                | 294,156                                      | -                 | 915,288             |
| <b>Total assets</b>  | <b>\$ 1,365,713</b>                    | <b>\$ 1,804,060</b>                          | <b>\$ 234,968</b> | <b>\$ 3,404,741</b> |
| Current liabilities  | \$ 517,042                             | \$ 495,273                                   | \$ 802,197        | \$ 1,814,512        |
| Long-term liabilities  | 101,102                                | -  | -                 | \$ 101,102          |
| <b>Total liabilities</b>   | <b>\$ 618,144</b>                      | <b>\$ 495,273</b>                            | <b>\$ 802,197</b> | <b>\$ 1,915,614</b> |
| Revenues   | \$ 5,625,588                           | \$ 1,745,574                                 | \$ 9,644          | \$ 7,380,806        |
| Expenses   | \$ 5,536,465                           | \$ 1,776,195                                 | \$ 443,325        | \$ 7,755,985        |
| Operating income (loss) from<br>continuing operations before<br>provision for income tax | \$ 89,123                              | \$ (30,621)                                  | \$ (433,681)      | \$ (375,179)        |

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**Starrex International Ltd.**

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**15. Segmented Disclosures - continued**

Selected financial information as at and for the nine-months ended September 30, 2017 is presented as follows:

| <b>As of and for the nine-<br/>month period ended<br/>September 30, 2017</b>             | <b>Property<br/>Interlink,<br/>LLC</b> | <b>Corporate</b>    | <b>Total</b>        |
|--|--|---------------------|---------------------|
| Current assets   | \$ 358,418                             | \$ 1,358,414        | \$ 1,716,832        |
| Note receivable  | -                                      | -                   | -                   |
| Property and equipment   | 216,055                                | -                   | 216,055             |
| Intangible assets  | 520,266                                | -                   | 520,266             |
| Goodwill   | 621,132                                | -                   | 621,132             |
| <b>Total assets</b>  | <b>\$ 1,715,871</b>                    | <b>\$ 1,358,414</b> | <b>\$ 3,074,285</b> |
| Current liabilities  | \$ 654,661                             | \$ 362,479          | \$ 1,017,140        |
| Long-term liabilities  | 179,420                                | -                   | 179,420             |
| <b>Total liabilities</b>   | <b>\$ 834,081</b>                      | <b>\$ 362,479</b>   | <b>\$ 1,196,560</b> |
| Revenues   | \$ 5,781,407                           | \$ 69,565           | \$ 5,850,972        |
| Expenses   | \$ 5,472,037                           | \$ 1,127,736        | \$ 6,599,773        |
| Operating income (loss) from continuing<br>operations before provision for income<br>tax | \$ 309,370                             | \$ (1,058,171)      | \$ (748,801)        |

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### **16. Subsequent Events**

- i) Effective October 5, 2018, the Company granted to consultants 75,000 options to purchase common shares of the Corporation with an option price of \$1.75 CDN. The options expire October 5, 2023, and vest immediately.
  
- ii) Effective October 5, 2018, the Company granted to a consultant 50,000 options to purchase common shares of the Corporation with an option price of \$1.75 CDN. The options expire October 5, 2023 with 25,000 options fully vested on April 3, 2019 and the remaining 25,000 vesting on October 5, 2019.
  
- iii) Effective November 16, 2018, Starrex International, Ltd. entered into an Agreement with Hilltop Financial, LLC, a related party wholly-owned by P. Garrett Clayton, for a revolving line of credit. The loan amount is \$250,000 and carries a 6% interest rate, calculated daily on the outstanding principal balance, with interest payments due monthly. This line of credit expires one year after the effective date.