

# **Starrex International Ltd.**

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(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, 2018. 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 Merritt"*  
Chief Financial Officer

Calgary, Canada  
November 21, 2019

### **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, 2019 and 2018, have not been reviewed by the Company's auditors.

## Starrex International Ltd.

Condensed Interim Consolidated Statements of Financial Position  
(Unaudited) (Expressed in U.S. dollars)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 208,334	\$ 160,345
Accounts receivable	688,146	462,316
Prepaid expenses	87,593	50,725
	<b>984,073</b>	<b>673,386</b>
<b>Non-current Assets</b>		
Property and equipment, net of depreciation (Note 6)	90,851	144,722
Intangible assets (Note 8)	1,259,423	1,423,958
Goodwill	915,288	915,288
Right-of-use assets (Note 3)	242,645	-
<b>Total Assets</b>	<b>\$ 3,492,280</b>	<b>\$ 3,157,354</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,158,011	\$ 962,634
Contract liabilities (Note 12)	513,135	375,727
Note payable (Note 14)	117,751	602,370
	<b>1,788,897</b>	<b>1,940,731</b>
<b>Non-current Liabilities</b>		
Lease liabilities (Note 3)	274,377	-
<b>Total liabilities</b>	<b>2,063,274</b>	<b>1,940,731</b>
<b>Capital and reserves</b>		
Share capital (Note 9)	7,522,068	6,779,711
Contributed surplus (Note 10)	304,532	431,541
Accumulated other comprehensive income	(261,534)	(261,534)
Deficit	(6,136,060)	(5,733,095)
<b>Total equity</b>	<b>1,429,006</b>	<b>1,216,623</b>
<b>Total liabilities and equity</b>	<b>\$ 3,492,280</b>	<b>\$ 3,157,354</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, 2019 and 2018

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

	Three Months Ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Income</b>				
Revenue from contracts with customers	\$ 3,418,424	\$ 2,582,648	\$9,207,030	\$7,297,837
Management fee income	170	3,695	8,450	73,325
Interest income	-	-	-	9,644
	<b>3,418,594</b>	<b>2,586,343</b>	<b>9,215,480</b>	<b>7,380,806</b>
<b>Expenses</b>				
Payroll expense	2,205,070	1,716,363	5,994,294	4,923,369
Credit bureau fees	675,426	383,720	1,780,690	971,453
Consumer tax report fees	7,407	8,923	15,367	26,673
General and administrative	411,640	419,986	988,678	1,197,391
Professional fees	72,860	(22,202)	189,007	79,241
Management and corporate services (Note 6)	67,640	82,640	232,920	247,920
Depreciation and amortization (Notes 3, 7 and 8)	93,845	90,223	324,886	217,857
Shareholder services	3,687	23,090	11,691	31,352
Government, regulatory and filing fees	4,995	4,967	16,312	14,681
Share-based payments (Note 10)	-	-	28,821	25,500
Interest expense (Notes 6 and 14)	5,714	7,562	28,419	20,548
	<b>3,548,284</b>	<b>2,715,272</b>	<b>9,611,085</b>	<b>7,755,985</b>
<b>Loss before provision for income taxes</b>	<b>(129,690)</b>	<b>(128,929)</b>	<b>(395,605)</b>	<b>(375,179)</b>
Income tax expense	-	-	7,360	-
<b>Net comprehensive loss for the period</b>	<b>\$ (129,690)</b>	<b>\$ (128,929)</b>	<b>\$ (402,965)</b>	<b>\$ (375,179)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	<b>15,016,288</b>	<b>14,580,827</b>	<b>15,163,037</b>	<b>14,580,827</b>

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

## Starrex International Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine month periods ended September 30, 2019 and 2018

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

	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
<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>
<b>Balance, December 31, 2018</b>	<b>14,580,827</b>	<b>\$ 6,779,711</b>	<b>\$ 431,541</b>	<b>\$ (5,733,095)</b>	<b>\$ (261,534)</b>	<b>\$ 1,216,623</b>
Share issuance on conversion of debt (Notes 9 and 14)	471,698	557,260	(63,000)	-	-	494,260
Exercise of options	500,000	185,097	(92,830)	-	-	92,267
Options granted (Note 10)	-	-	28,821	-	-	28,821
Net loss and comprehensive loss for the period	-	-	-	(402,965)	-	(402,965)
<b>Balance, September 30, 2019</b>	<b>15,552,525</b>	<b>\$ 7,522,068</b>	<b>\$ 304,532</b>	<b>\$ (6,136,060)</b>	<b>\$ (261,534)</b>	<b>\$ 1,429,006</b>

*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, 2019 and 2018

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

	September 30, 2019	September 30, 2018
<b>Cash flows from operating activities</b>		
Net comprehensive loss for the period	\$ (402,965)	\$ (375,179)
Items not affecting cash:		
Depreciation and amortization (Notes 3, 7 and 8)	324,886	217,855
Share based payments (Note 10)	28,821	25,500
Net change in non-cash working capital items relating to operating activities		
Accounts receivable	(225,830)	(351,810)
Prepaid expenses	(1,392)	(49,041)
Accounts payable and accrued liabilities	195,377	520,755
Contract liabilities (Note 12)	137,408	7,812
Cash flows from operating activities	56,305	(4,108)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment (Note 7)	(7,216)	(47,845)
Proceeds from note receivables	-	583,617
Goodwill	-	(294,156)
Contributed surplus	-	(51,060)
Acquisition of intangible assets	-	(1,157,999)
Cash flows from investing activities	(7,216)	(967,443)
<b>Cash flows from financing activities</b>		
Proceeds from note payable (Note 14)	37,750	457,548
Interest payments made on convertible note	(28,110)	-
Equity portion of convertible note	-	63,000
Lease payments	(103,008)	-
Exercise of options	92,268	-
Cash flows used in financing activities	(1,100)	520,548
<b>Decrease in cash and cash equivalents</b>	<b>47,989</b>	<b>(451,003)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>160,345</b>	<b>572,548</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 208,334</b>	<b>\$ 121,546</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, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### **1. Nature of Operations**

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 21, 2019.

### **2. Basis of Presentation**

The Company has prepared these unaudited condensed interim consolidated financial statements in accordance with International Accounting Standard (“IAS”) 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, 2018, 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, 2018. 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, 2018.

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.

These consolidated financial statements include the Company and its wholly-owned subsidiaries, Property Interlink, LLC, MFI Credit Solutions, LLC, and Reliable Valuation Service, LLC. All subsidiaries at September 30, 2019 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.

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## **Starrex International Ltd.**

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### **3. Significant Accounting Policies**

#### **Judgments and Estimates**

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 discussed below:

##### **a. Goodwill**

Goodwill and other intangible assets represent \$2,174,711 on the consolidated statements of financial position at September 30, 2019 (\$2,339,246 – December 31, 2018). These assets arose out of business combinations and are accounted for under the acquisition method of accounting, which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective fair values. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets which may have finite lives.

Goodwill and other indefinite life intangible assets are tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name, customer relationships, and non-compete agreements) 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 the consolidated statement of loss and comprehensive loss.

##### **b. Estimated useful lives of long-lived assets**

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. Income taxes**

The Company's income tax expense, deferred tax assets and liabilities for unrecognized tax benefits reflects management's best estimate of current and future taxes to be paid. The Company is subject to income taxes in the United States and Canada. Significant judgments and estimates are required in the determination of the consolidated income tax expense.

##### **d. Contingencies**

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time.



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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### 3. Significant Accounting Policies - continued

#### Changes in Accounting Policies

Effective January 1, 2019, the Company adopted the following revised International Accounting Standards (“IAS”) and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

- i) **IFRS 16, Leases (“IFRS 16”).** IFRS 16 specifies how to 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 term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from its predecessor, IAS 17, Leases.

The Company adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

#### ***Policy applicable from January 1, 2019***

At inception of a contract the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts in effect on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate the lease-components and account for the lease and non-lease components as a single lease component.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### 3. Significant Accounting Policies - continued

#### *As a lessee*

The Company recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Company has elected not to recognize right-of-use assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### 3. Significant Accounting Policies - continued

#### *Right-of-use assets*

<b>Right-of-use asset</b>	<b>Property</b>	<b>Total</b>
As at January 1, 2019	\$ 341,909	\$ 341,909
Depreciation expense	99,264	99,264
<b>Balance as at September 30, 2019</b>	<b>\$ 242,645</b>	<b>\$ 242,645</b>

<b>Lease liabilities</b>		<b>Total</b>
As at January 1, 2019	\$ 377,385	\$ 377,385
Lease payments	(103,008)	(103,008)
Balance as at September 30, 2019	\$ 274,377	\$ 274,377

<b>Amounts recognized in profit or loss for the nine months ended September 30, 2019</b>		<b>Total</b>
Interest on lease liabilities	\$ (13,352)	\$ (13,352)

#### *Policy applicable before January 1, 2019*

Before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent upon the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit output nor equal to the current market price per unit of output.

#### **Standards Issued or Amended Which Will be Adopted in Future Periods**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### 3. Significant Accounting Policies - continued

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to operating outputs. In addition, it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs, and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

### 4. Financial Instruments

#### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk.

The Company applies the IFRS 9 simplified approach to measuring expected losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the year end. The historical loss rates, if any, are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. All trade receivables are less than sixty days past due. On that basis, 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.

	September 30, 2019		December 31, 2018	
Cash and cash equivalents	\$	208,334	\$	160,345
Current liabilities	\$	1,788,897	\$	1,940,731

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
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### 4. Financial Instruments - continued

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

		September 30, 2019		December 31, 2018
Cash and cash equivalents	\$ CDN	-	\$ CDN	-
Accounts receivable		495		495
Accounts payable and accrued liabilities		-		(291,040)
<b>Total</b>	<b>\$ CDN</b>	<b>495</b>	<b>\$ CDN</b>	<b>(290,545)</b>

### 5. 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 \$1,429,006 as at September 30, 2019 (December 31, 2018 - \$1,216,623).

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.

The Company's capital management objectives, policies and processes have remained unchanged during the nine month period ended September 30, 2019 and the year ended December 31, 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 requirements is not known and is ultimately dependent on the discretion of the CSE.

### 6. Related Party Transactions

AmCap Mortgage Ltd., a related customer (by common Director) accounted for \$4,222,088 for the nine month period ended September 30, 2019 (2018 - \$3,236,255) of revenue to the Company. As at September 30, 2019, \$90,664 (December 31, 2018 - \$20,570) is included in accounts receivable on the consolidated statements of financial position. For the three months ended September 30, 2019, revenue derived from Amcap Mortgage Ltd was \$1,619,261 compared to \$931,855 during the same period in 2018.

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## Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine-month periods ended September 30, 2019 and 2018  
(Unaudited) (stated in United States dollars)

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### Related Party Transactions - continued

#### Hilltop Financial, LLC

On November 16, 2018, the Company entered into a Promissory Note with Hilltop Financial, LLC, a related party (by common Director) to be utilized as a revolving line of credit. The Company recorded \$5,862 in accrued interest for the nine month period ended September 30, 2019 (2018 – \$Nil). For the three months ended September 30, 2019 the Company recorded \$1,781 in accrued interest (2018 - \$Nil). As at September 30, 2019, the Company utilized \$117,751 (2018 - \$80,000) of the revolving line of credit, which is reported as a short-term liability (see Note 14).

#### 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 \$232,920 in management fees for the nine month period ended September 30, 2019 (2018 - \$247,920) to the Chief Operating Officer, Chief Executive Officer and Chief Financial Officer for services provided. For the three months ended September 30, 2019, the Company incurred \$67,640 in management fees (2018 - \$82,640). These fees are included in management and corporate services. At September 30, 2019 and 2018, all amounts had been paid.

## 7. Property, Plant and Equipment

	Furniture & Equipment	Leasehold Improvements	Total
<b>Cost</b>			
As at December 31, 2018	\$ 463,738	\$ 72,201	\$ 535,939
Additions	\$ 7,216	\$ -	\$ 7,216
<b>As at September 30, 2019</b>	<b>\$ 470,954</b>	<b>\$ 72,201</b>	<b>\$ 543,155</b>
<b>Accumulated depreciation</b>			
As at December 31, 2018	\$ 342,668	\$ 48,549	\$ 391,217
Expense	53,351	7,736	61,087
<b>As at September 30, 2019</b>	<b>\$ 396,019</b>	<b>\$ 56,285</b>	<b>\$ 452,304</b>
<b>Net book value</b>			
As at December 31, 2018	\$ 121,070	\$ 23,652	\$ 144,722
<b>As at September 30, 2019</b>	<b>\$ 74,935</b>	<b>\$ 15,916</b>	<b>\$ 90,851</b>

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**Starrex International Ltd.**

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**8. Intangible Assets**

	<b>Business Software &amp; Website</b>	<b>Proprietary Software</b>	<b>Non- Compete Agreements</b>	<b>Customer Relationships</b>	<b>Credit Bureau Repository Codes</b>	<b>Total</b>
<b>Cost</b>						
<b>As at December 31, 2018 and September 30, 2019</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, 2018	\$ 61,345	\$ 146,419	\$ 154,806	\$ 273,939	\$ -	\$ 636,509
Expense	5,768	28,875	41,558	88,334	-	164,535
<b>As at September 30, 2019</b>	<b>\$ 67,113</b>	<b>\$ 175,294</b>	<b>\$ 196,364</b>	<b>\$ 362,273</b>	<b>\$ -</b>	<b>\$ 801,044</b>
<b>Net Book Value</b>						
As at December 31, 2018	\$ 5,768	\$ 53,958	\$ 155,940	\$ 561,023	\$ 647,269	\$1,423,958
<b>As at September 30, 2019</b>	<b>\$ -</b>	<b>\$ 25,083</b>	<b>\$ 114,382</b>	<b>\$ 472,689</b>	<b>\$ 647,269</b>	<b>\$1,259,423</b>

The Company purchased certain assets of MFI Credit Solutions effective February 9, 2018. All the assets purchased were contracts and/or assignment of agreements and are intangible in nature. The Credit Bureau Repository Codes have an indefinite life and are not amortized.

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## Starrex International Ltd.

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### 9. Share Capital

#### Authorized

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

<b>Issued</b>	<b>Number of Common Shares</b>	<b>Amount \$</b>
Balance, December 31, 2018	14,580,827	6,779,711
Shares issued – exercise of options	500,000	185,097
Shares issued – conversion of note payable	471,698	557,260
<b>Balance, September 30, 2019</b>	<b>15,552,525</b>	<b>7,522,068</b>

The Company reported \$563 in share issuance costs for the period ending September 30, 2019.

### 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.

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>	<b>Grant Date Fair Value</b>
Outstanding, December 31, 2018	825,000	0.49	1.08
Options exercised	(500,000)	0.25	0.75
Options expired	(50,000)	0.25	0.75
Options granted	50,000	0.75	0.56
Outstanding, September 30, 2019	325,000	1.01	0.84
Exercisable, September 30, 2019	300,000	1.05	0.82



## Starrex International Ltd.

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### 10. Share-based payments - continued

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life
Granted August 25, 2015	100,000 <sup>(1)</sup>	100,000	\$ 1.25 <sup>(3)</sup>	September 1, 2020	0.92
Granted February 9, 2018	50,000 <sup>(2)</sup>	50,000	\$ 0.38 <sup>(4)</sup>	February 9, 2023	3.36
Granted October 5, 2018	125,000 <sup>(2)</sup>	100,000	\$ 1.29 <sup>(5)</sup>	October 5, 2023	4.01
Granted May 8, 2019	50,000 <sup>(6)</sup>	50,000	\$ 0.75	May 8, 2024	4.61
<b>Total</b>	<b>325,000</b>	<b>300,000</b>			<b>3.05</b>

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

(2) 50,000 options granted in February 2018 vest immediately; of the 125,000 options granted in October 2018, 75,000 options vested immediately; 25,000 vested on April 3, 2019, with the remaining 25,000 vesting on October 5, 2019.

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

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

(5) The exercise price is CAD \$1.75.

(6) A consultant holds these options. They are fully vested.

The Company incurred \$28,821 in share-based payment expense for options for the nine month period ended September 30, 2019 (2018 - \$25,500).

### 11. Revenues from Contracts with Customers

The Company derives revenue from the completion of real estate appraisals and from the delivery of consumer credit reports and ancillary credit reporting activity. The following revenues were recognized by Property Interlink, LLC and MFI Credit Solutions, LLC for the three and nine months ended September 30, 2019 and 2018:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Appraisal revenue	\$ 2,329,215	\$ 1,898,044	\$ 6,354,541	\$ 5,552,263
Management fee revenue	170	3,695	8,450	73,325
Credit reporting revenue	1,089,209	684,604	2,852,489	1,745,574
<b>Total</b>	<b>\$ 3,418,594</b>	<b>\$ 2,586,343</b>	<b>\$ 9,215,480</b>	<b>\$ 7,371,162</b>

### 12. Contract Liabilities

	September 30, 2019	December 31, 2018
Contract liabilities	\$ 367,640	\$ 325,772
Deferred revenue	145,495	49,955
<b>Total</b>	<b>\$ 513,135</b>	<b>\$ 375,727</b>

### 13. Net Loss Per Share

Basic and diluted loss per share has been calculated based on the weighted average number of common shares outstanding of 15,163,037 for the nine months ended September 30, 2019 (2018 – 14,580,827). All stock options and convertible notes were excluded from the calculation of the weighted average number of diluted common shares outstanding because their effect would have been anti-dilutive.

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## Starrex International Ltd.

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### 14. Notes 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.

Effective January 23, 2019, the Company entered into an amending note purchase agreement. Under the amending note purchase agreement, the conversion price was amended to \$1.06 and the maturity date was extended to April 22, 2019. The effect of the modification resulted in a loss of \$3,000. Accrued interest through January 23, 2019 of \$30,000 was paid in full on February 14, 2019. The holder of the amending note purchase agreement exercised the right to convert the entire principal balance of \$500,000 at a conversion rate of \$1.06 per share into 471,698 common shares (see Note 9).

On November 16, 2018, the Company entered into a promissory note with a principal amount of \$250,000 utilized as a revolving operating line of credit with a maturity date of December 1, 2019. Interest accrues at 6% per annum. The Company recorded \$5,862 in accrued interest for the nine-month period ended September 30, 2019 (2018 – \$Nil). As at September 30, 2019, the Company had withdrawn \$117,751 of the revolving line of credit, which is reported as a short-term liability under notes payable (see Note 6).

### 15. Supplemental Cash Flow Information

	2019	2018
Financing cash flows include:		
Shares issued on conversion of debt	\$ 557,260	\$ -
Operating cash flows include:		
Interest received	-	66,903

### 16. Segmented Disclosures

The Company organizes its reporting structure into four 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 four reportable operating segments are as follows:

- i) Property Interlink, LLC manages residential appraisals 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.
- ii) Starrex International Ltd., or Corporate, manages the wholly-owned subsidiaries, as well as shareholder services and corporate governance.
- iii) MFI Credit Solutions, LLC manages consumer credit reporting and maintains all of the ordering, tracking, administrative duties and details required to support consumer credit reporting activities.
- iv) Reliable Valuation Service, LLC provides residential evaluations of residential real estate to third parties.

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**Starrex International Ltd.**

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**16. Segmented Disclosures - continued**

Select financial information as at and for the nine months ended September 30, 2019 is presented as follows:

	<b>Property Interlink, LLC</b>	<b>MFI Credit Solutions, LLC</b>	<b>Corporate</b>	<b>Reliable Valuation Service, LLC</b>	<b>Total</b>
Current assets	\$ 408,595	\$ 412,045	\$ 150,385	\$ 13,048	\$ 984,073
Property and equipment	52,578	38,273	-	-	90,851
Right-of-use assets	242,645	-	-	-	242,645
Intangible assets	122,175	990,437	146,811	-	1,259,423
Goodwill	621,132	294,156	-	-	915,288
<b>Total assets</b>	<b>\$ 1,447,125</b>	<b>\$ 1,734,911</b>	<b>\$ 297,196</b>	<b>\$ 13,048</b>	<b>\$ 3,492,280</b>
Current liabilities	\$ 713,551	\$ 814,635	\$ 260,711	\$ -	\$ 1,788,897
Long-term liabilities	\$ 274,377	\$ -	\$ -	\$ -	\$ 274,377
<b>Total liabilities</b>	<b>\$ 987,928</b>	<b>\$ 814,635</b>	<b>\$ 260,711</b>	<b>\$ -</b>	<b>\$ 2,063,274</b>
Revenues	\$ 6,326,906	\$ 2,852,489	\$ -	\$ 36,085	\$ 9,215,480
Expenses	\$ 6,593,788	\$ 2,905,686	\$ 90,685	\$ 20,926	\$ 9,611,085
Operating (loss) income from continuing operations before provision for income tax	\$ (266,882)	\$ (53,197)	\$ (90,685)	\$ 15,159	\$ (395,605)
Income tax expense	\$ 5,016	\$ 1,000	\$ 1,344	\$ -	\$ 7,360
Net (loss) income and comprehensive loss for the period	\$ (271,898)	\$ (54,197)	\$ (92,029)	\$ 15,159	\$ (402,965)

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**Starrex International Ltd.**

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**16. Segmented Disclosures - continued**

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

	<b>Property Interlink, LLC</b>	<b>MFI Credit Solutions, LLC</b>	<b>Corporate</b>	<b>Total</b>
Current assets	\$ 426,532	\$ 374,946	\$ 21,275	\$ 822,753
Property and equipment	154,812	42,165	-	196,977
Right-of-use assets	-	-	-	-
Intangible assets	163,238	1,092,793	213,693	1,469,724
Goodwill	621,132	294,156	-	915,288
<b>Total assets</b>	<b>\$ 1,355,713</b>	<b>\$ 1,804,060</b>	<b>\$ 234,968</b>	<b>\$ 3,394,742</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 (loss) income from continuing operations before provision for income tax	\$ 89,123	\$ (30,621)	\$ (433,681)	\$ (375,179)
Income tax expense	\$ -	\$ -	\$ -	\$ -
<b>Net (loss) income and comprehensive loss for the period</b>	<b>\$ 89,123</b>	<b>\$ (30,621)</b>	<b>\$ (433,681)</b>	<b>\$ (375,179)</b>