



Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2022 and 2021
(Unaudited) (expressed in U.S. dollars)

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, 2021. 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 30, 2022

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, 2022 and 2021, 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, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	\$ 1,069,550	\$ 647,713
Accounts receivable	337,852	320,365
Prepaid expenses	76,219	55,909
Disposal group of assets classified as held for sale (Note 16)	1,628,343	3,030,695
	3,111,964	4,054,582
Non-current assets		
Property and equipment, net of depreciation (Note 6)	242,020	269,062
Intangible assets (Note 7)	752,739	827,819
Goodwill	294,156	294,156
Right-of-use assets (Note 8)	181,725	253,425
	1,470,640	1,444,462
Total assets	\$ 4,581,604	\$ 5,699,044
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 688,814	\$ 985,966
Current portion of lease liabilities (Note 8)	95,702	91,501
Disposal group classified as held for sale (Note 16)	580,161	944,492
	1,364,677	2,021,959
Non-current Liabilities		
Lease liabilities (Note 8)	113,821	206,879
Total liabilities	\$ 1,478,498	\$ 2,228,838
Shareholders' equity		
Share capital (Note 11)	7,707,501	7,707,501
Contributed surplus (Note 12)	390,136	390,136
Accumulated other comprehensive income	(261,534)	(261,534)
Deficit	(4,732,997)	(4,365,897)
Total shareholders' equity	3,103,106	3,470,206
Total liabilities and shareholders' equity	\$ 4,581,604	\$ 5,699,044

Commitment (Note 17)

Subsequent events (Note 18)

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

Signed: Matthew D. Hill

Chairman

Signed: Scott M. Reeves

Director

Starrex International Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the periods ended September 30, 2022 and 2021

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Income				
Revenue from contracts with customers (Note 10)	\$ 850,356	\$ 1,333,338	\$ 3,137,602	\$ 4,284,702
Consulting fee income	37,500	-	87,500	-
	887,856	1,333,338	3,225,102	4,284,702
Expenses				
Transaction costs	477,144	849,314	1,945,934	2,785,553
Payroll expense	172,966	189,372	527,846	538,381
General and administrative	(43,554)	60,107	(107,278)	135,209
Professional fees	210,091	58,808	572,979	160,318
Management and corporate services (Note 9)	102,640	52,640	307,920	157,920
Depreciation and amortization (Notes 6 and 7)	77,217	76,023	231,223	234,733
Shareholder services	12,775	2,534	16,351	16,909
Government, regulatory and filing fees	8,809	5,968	21,382	19,296
Interest expense (Note 8)	3,463	3,675	11,722	6,761
	1,021,551	1,298,441	3,528,079	4,055,080
Income(loss) before provision for income taxes from continuing operations	(133,695)	34,897	(302,977)	229,622
Income tax expense	-	2,324	-	1,948
Income (loss) from continuing operations	\$ (133,695)	\$ 32,573	\$ (302,977)	\$ 227,674
Income (loss) from discontinued operations, net of tax	\$ (174,430)	\$ 209,864	\$ (64,123)	\$ 660,281
Net income (loss) and comprehensive income (loss) for the period	\$ (308,125)	\$ 242,437	\$ (367,100)	\$ 887,955
Basic net income per share, continuing operations	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.01
Diluted net income per share, continuing operations	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.01
Basic net income per share, continuing operations	\$ (0.01)	\$ 0.02	\$ (0.00)	\$ 0.04
Diluted net income per share, continuing operations	\$ (0.01)	\$ 0.02	\$ (0.00)	\$ 0.04
Basic weighted average number of common shares outstanding	15,752,525	15,691,429	15,691,429	15,752,525
Diluted weighted average number of common shares outstanding	15,752,525	15,873,505	15,873,505	15,752,525

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, 2022 and 2021

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

	Number of Shares	Value	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2020	15,552,525	\$ 7,519,769	\$ 491,118	\$ (4,900,457)	\$ (261,534)	\$ 2,848,896
Options exercised (Note 12)	200,000	187,732	(100,982)	-	-	86,750
Net income for the period	-	-	-	887,955	-	887,955
Balance, September 30, 2021	15,752,525	\$ 7,707,501	\$ 390,136	\$ (4,012,502)	\$ (261,534)	\$ 3,823,601
Balance, December 31, 2021	15,752,525	\$ 7,707,501	\$ 390,136	\$ (4,365,897)	\$ (261,534)	\$ 3,470,206
Net loss for the period	-	-	-	(367,100)	-	(367,100)
Balance, September 31, 2022	15,752,525	\$ 7,707,501	\$ 390,136	\$ (4,732,997)	\$ (261,534)	\$ 3,103,106

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, 2021 and 2020

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

	September 30,	September 30,
	2022	2021
Cash flows from operating activities		
Net income (loss) for the period	(367,100)	887,955
Items not affecting cash:		
Depreciation and amortization	231,223	262,239
Net change in non-cash working capital items relating to operating activities:		
Accounts receivable	(17,487)	(259,744)
Prepaid expenses	51,290	(77,667)
Accounts payable and accrued liabilities	(297,152)	(96,926)
Contract liabilities	-	188,192
Cash flows from (used in) operating activities - continuing operations	(399,226)	904,049
Cash flows from discontinued operations	952,050	-
Cash flows from investing activities		
Purchase of property and equipment (Note 6)	(42,128)	(246,417)
Cash flows from investing activities - continuing operations	(42,128)	(246,417)
Cash flows from discontinued operations	-	-
Cash flows from financing activities		
Lease payments	(88,857)	(123,579)
Repayment of note payable	-	-
Proceeds from exercise of options (Note 13)	-	86,750
Cash flows used in financing activities - continuing operations	(88,857)	(36,829)
Increase (decrease) in cash	421,838	620,803
Cash, beginning of period	647,713	1,493,600
Cash, end of period - assets held for sale	438,720	
Cash, end of period	\$ 1,508,270	\$ 2,114,403

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

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2022 and 2021
(Unaudited) (expressed in United States dollars)

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 639 5th Avenue S.W., Calgary, Alberta T2P 0M9. 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.

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, 2021, 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, 2021. 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, 2021.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 29, 2022.

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 unaudited condensed interim consolidated financial statements include the Company and its wholly owned subsidiaries, Property Interlink, LLC, MFI Credit Solutions, LLC, Reliable Valuation Service, LLC, Starrex Holdings, Inc, and Starrex Technical Services, LLC. All subsidiaries at September 30, 2022 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 unaudited condensed interim 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.

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 the majority of the Company’s business is influenced by an economic environment denominated in U.S. currency; as well, the Company earns revenues in USD. The presentation currency of these unaudited condensed interim consolidated financial statements is USD.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2022 and 2021
(Unaudited) (expressed in United States dollars)

2. Basis of Presentation – continued

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. Critical Accounting Estimates and Judgments and COVID-19

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.

The Company's business could be adversely affected by the outbreak of respiratory illness caused by the novel coronavirus ("COVID 19"). The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The continued spread of the COVID-19 globally could materially and adversely impact the Company's business including, without limitation, employee health, limitations on travel, the availability of industry experts and personnel, and other factors that depend on future developments beyond the Company's control. The impact of current uncertainty on judgments, estimates and assumptions extends but is not limited to the Company's valuation of the long-term assets, including the assessment for impairment and impairment reversal. Actual results may differ materially from these estimates.

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

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Unaudited) (expressed in United States dollars)

3. Critical Accounting Estimates and Judgments and COVID-19 - continued

- c) The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.
- d) The determination of the Company's lease liability and right-of-use asset depends on certain assumptions which includes the selection of the discount rate. The discount rate is set by referencing to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's unaudited condensed interim consolidated financial statements.
- e) Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.
- f) Applying the business acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets require a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates.
- g) Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct, and the operating results are regularly reviewed by management for the purposes of resource allocation decisions and assessing its performance. Key measures used by management to assess performance and make resource allocation decisions include revenues, gross profit and net income (loss). The Company's operating results are currently in four reportable segments and in one geographic market – the United States.
- h) Stock options are initially valued at fair value, based on the application of the Black Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield, expected term of the warrant or stock option and expected risk-free interest rate.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Unaudited) (expressed in United States dollars)

4. Significant Accounting Policies

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company as described in its consolidated financial statements as at and for the year ended December 31, 2021 except for new accounting policies adopted as of January 1, 2022, as noted below.

The following IFRS standards have been recently issued by the IASB. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

New and revised accounting policies adopted on January 1, 2022

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. This amendment was adopted effective January 1, 2022 with no impact on the financial statements.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2022 and 2021
(Unaudited) (expressed in United States dollars)

4. Significant Accounting Policies - continued

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. This amendment was adopted effective January 1, 2022, with no impact on the financial statements.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. These amendments were adopted effective January 1, 2022, with no impact on the financial statements.

5. Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and lease liabilities. As at September 30, 2022, the carrying values and fair values of the Company's financial instruments are approximately the same.

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

Credit Risk

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

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At September 30, 2022, and December 31, 2021, the Company had a \$nil balance in the reserves for credit losses and had no material past due trade receivables.

The Company applies the IFRS 9 simplified approach to measuring expected losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the year end. The historical loss rates, if any, are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. All trade receivables are less than sixty days past due. On that basis, the Company has not provided for expected credit losses.

Concentration of Credit Risk

As at September 30, 2022, one customer accounted for 58% of the Company's total revenue (September 30, 2021 – 62%). All of the Company's revenue for the nine months ended September 30, 2022, and 2021, was in the United States.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Unaudited) (expressed in United States dollars)

5. Financial Instruments and Financial Risk Management - continued

As at September 30, 2022, one customer accounted for 46% (\$335,122) of the Company's appraisal and credit reporting accounts receivable balances. As at December 31, 2021, two customers accounted for 67% (\$513,391) of appraisal and credit reporting accounts receivable.

There can be no assurance that all or any of the Company's customers will continue to be customers of the Company. The loss of any such customers may have a materially negative impact on the Company's business conditions and financial results.

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. As at September 30, 2022, the Company had cash of \$1,069,550 (December 31, 2021 - \$647,713) available to settle current liabilities of \$1,364,677 (December 31, 2021 - \$2,021,959).

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, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2022, the Company held immaterial amounts of cash and accounts receivable in Canadian Dollars ("CAD") currency and considers foreign currency risk to be low.

The table below summarizes the balances held in CAD, presented in USD.

	September 30, 2022	December 31, 2021
Accounts receivable	-	14,886
Accounts payable and accrued liabilities	(7,439)	(2,241)
Total	(7,439)	12,645

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2022 and 2021
(Unaudited) (expressed in United States dollars)

6. Property and Equipment

	Furniture & Equipment	Leasehold Improvements	Total
Cost			
As at December 31, 2021	\$ 740,877	\$ 125,452	\$ 866,329
Assets held for sale	(472,575)	-	(472,576)
Additions	29,382	12,745	42,127
As at September 30, 2022	\$ 297,683	\$ 138,197	\$ 435,880
Accumulated depreciation			
As at December 31, 2021	\$ 473,861	\$ 74,233	\$ 5,094
Assets held for sale	(395,343)	-	(395,343)
Expense	35,094	7,015	42,109
As at September 30, 2022	\$ 113,612	\$ 81,248	\$ 194,860
Net book value			
As at December 31, 2021	\$ 346,819	\$ 51,219	\$ 398,038
As at September 30, 2022	\$ 184,071	\$ 56,949	\$ 241,020

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the nine-month periods ended September 30, 2022 and 2021
(Unaudited) (expressed in United States dollars)

7. Intangible Assets

	Business Software & Website	Proprietary Software	Non-Compete Agreements	Customer Relationships	Credit Bureau Repository Codes	Total
Cost						
As at December 31, 2021 and September 30, 2022	67,113	200,377	310,746	834,962	647,269	2,060,467
Assets held for sale	\$ (67,113)	\$ (200,377)	\$ (42,487)	\$ (138,354)	\$ -	\$ (448,331)
As at December 31, 2021 and September 30, 2022	-	-	268,259	696,608	647,269	1,612,136
Accumulated depreciation						
As at December 31, 2021	\$ 67,113	\$ 196,156	\$ 272,983	\$ 626,122	\$ -	\$ 1,162,374
Assets held for sale	(67,113)	(196,156)	(74,825)	(68,024)	-	(406,118)
Expense	-	-	25,185	77,958	-	103,142
As at September 30, 2022	\$ -	\$ -	\$ 223,343	\$ 636,056	\$ -	\$ 859,398
Net Book Value						
As at December 31, 2021	\$ -	\$ -	\$ 70,101	\$ 138,510	\$ 647,269	\$ 855,880
As at September 30, 2022	\$ -	\$ -	\$ 44,916	\$ 60,552	\$ 647,269	\$ 752,738

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Unaudited) (expressed in United States dollars)

8. Leases

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.

Right-of-use assets

Right-of-use asset		Total
Balance as at December 31, 2021 and September 30, 2022	\$	386,812
Accumulated depreciation		
As at December 31, 2021	\$	(96,917)
Assets held for sale		(36,470)
Expense		(85,971)
Balance as at September 30, 2022	\$	(205,087)
Net book value		
As at December 31, 2021	\$	253,425
As at September 30, 2022	\$	181,725

Lease Liabilities

Lease Liabilities		Total
As at December 31, 2021	\$	298,380
Lease payments		(88,837)
Balance as at September 30, 2022	\$	209,523
Current portion of lease liabilities	\$	95,702
Long-term portion of lease liabilities	\$	113,821
Amounts recognized in profit (loss) as at September 30, 2022		
Interest on lease liabilities	\$	11,722

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9. Related Party Transactions**AmCap Mortgage Ltd.**

AmCap Mortgage Ltd., a related customer (by common Director) accounted for \$2,143,161 (September 30, 2021 - \$2,464,857) of revenue to the Company. As at September 30, 2022, \$178,907 (December 31, 2021 – \$198,483) is included in accounts receivable on the condensed interim consolidated statements of financial position.

Key Management Compensation

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

The Company incurred \$621,770 in management fees and associated payroll for the nine months ended September 30, 2022 (September 30, 2021 - \$615,160) to key members of management. These fees are included in payroll, management and corporate services. At September 30, 2022 and 2021, all amounts had been paid.

10. Revenue from Contracts with Customers

The Company derives revenue from consulting services and from the delivery of consumer credit reports and ancillary credit reporting activity. The following revenues were recognized by Starrex Technical Services, LLC and MFI Credit Solutions, LLC for the period ended September 30, 2022 and 2021:

	For the nine months ended		For the three months ended	
	September 30		September 30	
	2022	2021	2022	2021
Consulting revenue	\$ 87,500	\$ -	\$ 37,500	\$ -
Credit reporting revenue	3,137,602	4,284,702	850,356	1,333,338
Total	\$ 3,225,102	\$ 4,284,702	\$ 887,856	\$ 1,333,338

11. Share Capital**Authorized**

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

<u>Issued</u>	<u>Number of Common Shares</u>	<u>Amount \$</u>
Balance December 31, 2021 and September 30, 2022	15,752,525	7,707,501

12. Share-Based Payments

The Company has a Plan that enables its directors, officers, employees, consultants and advisors to acquire common shares of the Company. Options are granted at the discretion of the Board of Directors.

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Under the terms of the Plan, options totaling up to 10% of the common shares outstanding from time to time are issuable. The exercise price, vesting period and expiration period are fixed at the time of grant at the discretion of the Board of Directors.

	Number of options	Weighted average exercise price \$	Grant Date Fair Value \$
Outstanding and exercisable, December 31, 2021 and September 30, 2022	600,000	0.64	0.59

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life
Granted October 5, 2018	75,000 ⁽²⁾	75,000	\$ 1.26 ⁽³⁾	October 5, 2023	1.01
Granted May 8, 2019	50,000 ⁽⁴⁾	50,000	\$ 0.54 ⁽⁵⁾	May 8, 2024	1.60
Granted November 25, 2019	25,000 ⁽²⁾	25,000	\$ 0.51 ⁽⁶⁾	November 23, 2024	2.15
Granted, January 8, 2020	450,000 ⁽¹⁾	450,000	\$ 0.47 ⁽⁷⁾	January 7, 2025	2.27
Total	600,000	600,000			2.06

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

(2) Key employees hold these options. They are fully vested.

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

(4) A consultant of the Company holds these options. They are fully vested.

(5) The exercise price is \$0.75 CAD.

(6) The exercise price is \$0.71 CAD.

(7) The exercise price is \$0.65 CAD.

The fair value at grant date is determined by using the Black-Scholes model which takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Effective January 6, 2021, 100,000 options were exercised at CAD \$0.65 per share (\$0.501) for proceeds of CAD\$65,000 (\$50,050).

Effective February 2, 2021, 100,000 options to purchase common stock of the Company were exercised at CAD \$0.47 (\$0.367) per share for proceeds of CAD\$47,000 (\$36,700).

13. Net Income (loss) per Share

Basic net loss per share has been calculated based on the weighted average number of common shares outstanding as at September 30, 2022, of 15,752,525 (December 31, 2021 – 15,741,840).

The dilutive effect of stock options is determined by using the treasury stock method and adjusts the figure used in the determination of basic earnings per share to take into account the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the year ending September 30, 2022, nil share options outstanding (December 31, 2021 - 525,000), were included in the diluted net income per share calculation, resulting in 15,752,525 weighted average number of common shares outstanding (December 31, 2021 - 15,917,469).

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(Unaudited) (expressed in United States dollars)

14. Capital Disclosures

The Company's objectives when managing capital are to maintain its ability to continue as a going concern 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 \$3,103,106 as at September 30, 2022, (December 31, 2021 - \$3,470,206).

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 period ended September 30, 2022 and the year ended December 31, 2021.

15. 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 and provide consulting services to third parties.
- 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 evaluations of residential real estate to third parties.

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15. Segmented Disclosures - continued

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

	Property Interlink, LLC	MFI Credit Solutions, LLC	Corporate	Reliable Valuation Service, LLC	Total
Current assets	\$ 556,426	\$ 609,907	\$ 612,160	\$ 590,494	\$ 2,368,987
Property and equipment	70,360	8,113	208,870	21,489	308,832
Right-of-use assets	203,924	-	-	-	203,924
Intangible assets	59,897	684,000	40,676	-	784,573
Goodwill	621,132	294,156	-	-	915,288
Total assets	\$ 1,511,739	\$ 1,596,176	\$ 861,706	\$ 611,983	\$ 4,581,604
Current liabilities	\$ 670,357	\$ 513,542	\$ 175,272	\$ 5,506	\$ 1,364,677
Long-term liabilities	113,821	-	-	-	113,821
Total liabilities	\$ 784,171	\$ 513,542	\$ 175,272	\$ 5,506	\$ 1,478,498
Revenues	\$ 5,955,674	\$ 3,137,602	\$ 87,500	\$ 3,507,997	\$ 12,688,773
Expenses	\$ 6,103,282	\$ 3,039,072	\$ 489,008	\$ 3,408,512	\$ 13,039,874
Operating income (loss) from continuing operations before provision for income tax	\$ (147,608)	\$ 98,530	\$ (401,508)	\$ 99,485	\$ (351,101)
Income tax expense	\$ -	\$ -	\$ -	\$ 15,999	\$ 15,999
Net income (loss) and comprehensive loss for the period	\$ (147,608)	\$ 98,530	\$ (401,508)	\$ 83,486	\$ (367,100)

Starrex International Ltd.

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15. Segmented Disclosures - continued

Select financial information for the nine months ended September 30, 2021 is presented as follows:

	Property Interlink, LLC	MFI Credit Solutions, LLC	Corporate	Reliable Valuation Service, LLC	Total
Current assets	\$ 1,036,177	\$ 1,111,960	\$ 35,200	\$ 1,316,122	\$ 3,499,459
Property and equipment	26,299	18,069	205,681	26,771	276,820
Right-of-use assets	323,201	-	-	-	323,201
Intangible assets	73,732	786,146	76,055	-	935,933
Goodwill	621,132	294,156	-	-	915,288
Total assets	\$ 2,080,541	\$ 2,210,331	\$ 316,936	\$ 1,342,893	\$ 5,950,701
Current liabilities	\$ 1,028,340	\$ 588,936	\$ 174,643	\$ 126,546	\$ 1,918,465
Long-term liabilities	208,635	-	-	-	208,635
Total liabilities	\$ 1,236,975	\$ 588,936	\$ 174,643	\$ 126,546	\$ 2,127,100
Revenues	\$ 7,390,710	4,284,702	-	4,214,247	15,889,659
Expenses	\$ 7,265,232	3,957,993	97,086	3,587,851	14,908,162
Operating income (loss) from continuing operations before provision for income tax	\$ 125,478	\$ 326,709	\$ (97,086)	\$ 626,396	981,497
Income tax expense	\$ 36,631	1,948	-	54,963	93,542
Net income (loss) and comprehensive income (loss) for the period	\$ 88,847	\$ 324,761	\$ (97,086)	571,433	887,955

16. Discontinued Operations

Starrex International Ltd. reached an agreement to divest substantially all the related assets of Property Interlink, LLC, an appraisal management company, and Reliable Valuation Service, LLC, a staff appraisal company, effective September 30, 2022, for an aggregate consideration of \$9,847,000 in cash. The transaction closed on November 7, 2022.

These amounts have been classified as disposal group or held for sale in these interim consolidated financial statements.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Unaudited) (expressed in United States dollars)

Assets

Cash	\$	438,721
Accounts receivable		389,415
Prepaid expenses		57,229
Property and equipment, net of depreciation (Note 6)		67,812
Intangible assets (Note 7)		31,836
Goodwill		621,132
Right-of-use assets (Note 8)		76,111

Liabilities

Accounts payable and accrued liabilities	\$	96,831
Contract Liabilities		483,330

Revenue

Contracts with customers	9,463,671
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Expenses

Transaction costs	6,439,602
Payroll expense	1,465,097
General and administrative	1,435,969
Professional fees	151,330
Depreciation and amortization	19,797
Total Expenses	9,511,795

Loss from discontinued operations	(48,124)
Income tax expense	(15,999)
Net loss from discontinued operations	(64,123)

17. Contractual Obligations and Commitments

- i) Effective November 1, 2021, the Company entered into a consulting agreement for appraisal compliance oversight with a maturity date of October 31, 2022. As at September 30, 2022, this agreement has a minimum commitment of \$3,500 (December 31, 2021 - \$35,000).

18. Subsequent Events

- i) Effective November 7, 2022, the Company closed an arm's length sale of its real estate appraisal management business conducted by its subsidiary Property Interlink, LLC and its real estate appraisal business conducted by its subsidiary Reliable Valuation Service, LLC and substantially all of the related assets. After adjustments, the cash purchase price was \$9,847,436 on a cash free, debt free basis. The net proceeds from the sale of the business (after tax) is estimated to be \$6,200,000.
- ii) The Company held an annual general and special meeting of shareholders on November 3, 2022 during which 99.9% of the shareholders who voted at the meeting approved the divestitures of Property Interlink, LLC and Reliable Valuation Service, LLC.

Starrex International Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited) (expressed in United States dollars)

18. Subsequent Events - continued

- i) Effective November 7, 2022, the Company issued 543,588 shares of Starrex common stock to key members of management and directors. The total number of common shares issued and outstanding after this issuance is 16,296,113.
- ii) Effective October 11, 2022, the Company entered into a loan and security agreement to be utilized as a revolving line of credit with a maturity date October 12, 2023 and which is collateralized by the assets of Starrex International Ltd. The line of credit bears a per annum interest rate of Prime less 0.50%, paid monthly.