Management's Discussion and Analysis

For the Year Ended December 31, 2022

Introduction

Starrex International Ltd. (“Starrex” or the “Company”) is a publicly traded company, incorporated in 1982 under the Canada Business Corporations Act with its head office at 639 5th Avenue S.W., Calgary, Alberta T2P 0M9. Starrex’s common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “STX” and in the United States on the OTCQB market under the symbol “STXMF.”

The following Management Discussion and Analysis (“MD&A”) contains management’s interpretation of Starrex International Ltd.’s performance for the year ended December 31, 2022. While the financial statements reflect actual results, the MD&A explains these results from management’s perspective and provides the Company’s plans for subsequent periods ahead.

This MD&A was prepared as of May 1, 2023 and should be read in conjunction with our audited annual consolidated financial statements (“financial statements”) for the year ended December 31, 2022, and related notes. All amounts included in this MD&A are reported in U.S. dollars, unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Throughout this MD&A, Starrex International Ltd. and its subsidiaries are referred to as (“Starrex”) or (“the Company”), including the terms “we”, “us” and “our”. Additional information about the Company, including the Company’s Annual Information Form for the year ended December 31, 2021, can be found on SEDAR under the Company’s profile at www.sedar.com.

This MD&A was reviewed and approved by the Board of Directors on May 1, 2023.

Overview

Starrex International Ltd. (“Starrex”) is a national provider of real estate appraisal and credit reporting services to mortgage lenders and brokers in the United States of America. Our leading-edge technology platform and specialized business model provides a streamlined approach to our clients resulting in faster turnaround times.

We are committed to investing in our employees, delivering value to our customers, ethically managing our suppliers and professional networks, and supporting the outside communities within which we work. While each of our subsidiaries serves its own corporate purpose, they share a fundamental commitment to all of our shareholders – to deliver value, service and growth.

Credit Reporting Services

MFI Credit Solutions, LLC (“MFI”) (www.mfidata.com) is a full service credit reporting agency, with resources from all three national credit agencies – TransUnion, Equifax and Experian. MFI has been providing consumer credit reports to Mortgage Lenders, Mortgage Brokers, and Credit Unions for homebuyers considering the purchase or refinance of a home for more than 17 years. We are nationally recognized as a trusted provider of not only credit services, but risk mitigation, flood and verification services. MFI Credit Solutions, LLC is governed by the Fair Credit Reporting Act (FCRA) and has the ability to provide credit reports to borrowers in all states.

Important Factors Affecting our Results from Operations

Our business is subject to a variety of risks and uncertainties. Please refer to the “Cautionary Note Regarding Forward-Looking Information” contained in this MD&A for a description of the risks that impact our business and that could cause our financial results to vary.

Financial Condition

The United States housing market is the primary driver of financial performance which is greatly influenced by cyclical trends and seasonality in mortgage originations and refinancing. Revenues are also impacted by the seasonal nature of the residential mortgage industry, with volumes surging higher during the second and third calendar quarters of the year as homebuyers typically purchase more homes during those months than any other. The Company also recognizes the potential adverse impact of rising interest rates and inflationary pressures on the United States Housing Market, which was evident during the fourth quarter of 2022. As interest rates increased, volume in each of the subsidiaries decreased leading to an impairment of goodwill and intangibles assets. We follow closely expected rate increases and U.S. federal forecasts for financial planning and analysis and human capital resources, as well as potential merger and acquisition targets that may be accretive to the Company.

Our current assets are primarily comprised of cash and accounts receivable. Our foremost risk associated with current assets is the risk of credit losses attributable to receivables with large accounts and the impact of rising interest rates and inflationary measures. We perform a review of amounts due, current customer volume and credit policy monthly to mitigate potential expected credit losses. To date, we have not changed our accounting policy for credit losses and a provision of loss is not required.

(expressed in United States dollars)

Our long-term assets are primarily comprised of property and equipment, intangibles, goodwill and right-of-use assets. We assess the carrying value of property and equipment, intangibles and right-of-use assets as of each reporting period to determine if impairment is required in accordance with IFRS.

Capital and Financial Resources

As of December 31, 2022, the Company utilized $850,000 of the available credit associated with the revolving line of credit facility (December 31, 2021 - $Nil) for acquisition purposes. We do not currently have any concerns regarding our ability to fulfill our financial obligations and will continue to maintain various lines of credit to support working capital and potential acquisitions, if needed.

We continue to review our approach to capital on an ongoing basis, as well as monitor our credit risk from a client concentration perspective. We are not subject to externally exposed capital requirements and have not changed our capital risk management strategy in the past year.

Internal Controls

Our financial reporting systems, internal control over financial reporting and disclosure controls and procedures remain unchanged as well. We have not experienced a significant change in our control environment that would have a material impact on our internal controls over financial reporting since last year.

Financial Performance

The following is a discussion of our consolidated financial condition and results of operations for the year ended December 31, 2022 and 2021.

Review of Operations for the year ended December 31, 2022

We conduct our business in the United States in two reportable segments as at December 31, 2022 – Starrex International, Ltd and MFI Credit Solutions, LLC. The primary source of revenue is derived from MFI Credit Solutions, LLC, a credit reporting agency.

MFI Credit Solutions, LLC

	Year ended December 31				Three months ended December 31			
	2022	2021	Change	% Change	**2022**	2021	Change	% Change
Revenue	**$ 3,627,366**	$ 5,373,760	$ (1,746,396)	(32.50%)	**$ 489,764**	$ 1,089,058	$ (599,294)	(55.03%)
Transaction costs	**$ 2,303,749**	$ 3,539,974	$ (1,236,225)	(34.92%)	**$ 387,285**	$ 754,421	$ (367,135)	(48.66%)
Operating expenses	**$ 1,014,190**	$ 1,205,323	$ (191,133)	(15.86%)	**$ 203,596**	$ 310,892	$ (107,296)	(34.51%)
Depreciation and amortization	**$ 112,102**	$ 112,102	$ -	0.0%	**$ 28,026**	$ 28,026	$ -	0.00%
Impairment loss	**$ 376,972**	$ -	$ 376,972	100.0%	**$ 372,972**	$ -	$ 376,972	100.0%
Management fees	**$ 305,075**	$ 261,571	43,504	16.63%	**76,269**	$ 65,393	$ 10,876	16.63%
Tax expense	**$ -**	$ 48,540	$ (48,540)	(100.0%)	**$ 48,240**	$ 48,240	$ (48,240)	(100.0%)

Revenues

During the year ended December 31, 2022, MFI generated $3,627,651 in revenue derived from the delivery of consumer credit reports, consumer tax reports and related information gathering activities, such as verifications of employment and fraud. Revenues declined by 32.50% over the year ending 2021 and 55.03% during the fourth quarter of 2022, which is attributable to the increasing interest rates and associated inflationary measures in the United States.

(expressed in United States dollars)

Transaction Costs
Transaction costs attributable to the credit reporting business declined in proportion to the decline in revenue. For the year ending 2022, costs to produce credit reports declined by 34.92%; for the fourth quarter of 2022, they declined by 49%.

Operating Expenses
Operating expenses in MFI Credit Solutions, LLC decreased by $191,133 for the year ended December 31, 2022 compared to the same period in 2020. This decrease is a result of adjustments in operations to support the decline in activity in the entity.

Management Fees
We monitor the operating results of operating segments for the purpose of making decisions about corporate resource allocation and intercompany expenditures quarterly.

Depreciation and Amortization

MFI Credit Solutions, LLC was acquired in February of 2018. All fixed and intangible assets are depreciated and amortized over 5 years for equipment, 7 years for furniture, and 5 years for certain intangible assets. As such, expenses remain unchanged.

Starrex International, Ltd. – Corporate and other items

	Year ended December 31				Three months ended December 31			
	2022	2020	Change	% Change	**2022**	2020	Change	% Change
Revenue	**$ 133,761**	$ -	$ 133,761	100.00%	**$ 55,022**	$ -	$ 55,022	100.00%
Operating expenses	**$ 367,697**	$ **601,982**	$ (234,285)	(38.92%)	**$ (55,185)**	$ **108,083**	$ (159,268)	(204.81%)
Depreciation & amortization	**$ 18,434**	$ **48,280**	$ (29,846)	(61.82%)	**$ 18,434**	$ **16,228**	$ 2,206	13.59%
Professional expenses	**$ 544,705**	$ **243,016**	$ 301,689	124.14%	**$ (22,058)**	$ **95,990**	$ -	-

Revenues

Starrex International Ltd. derives revenue from administrative services provided to third parties, such as accounting support, information technology and human resources.

Operating Expenses
Operating expenses at the corporate level are comprised of administrative, travel and shareholder services expenses, depreciation and amortization as well as actuarial and professional expenses. These expenses, in aggregate, decreased by $37,558 for the year ending December 31, 2022 over December 31, 2021.

Discontinued Operations

Starrex International Ltd. reach 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. The transaction closed on November 7, 2022 with activity associated with the divestitures classified as discontinued operations.

The purchase price paid by the purchaser to the Company for Property Interlink, LLC and Reliable Valuation Service, LLC comprised of (i) of (i) a cash payment of $9,450,000 (subject to standard working capital adjustments); and (ii) amounts held escrow by the purchaser of $300,000 (the “purchase price escrowed amount”) and $50,000 (the “retention escrow amount”). The Buyers will release an amount equal to all the remaining funds in the Retention Escrow account minus any pending indemnification claim amount on November 7, 2023. The Purchase Price Escrow amount will be released upon receipt of Joint Direction from both Sellers and Buyers upon mutual agreement that trialing expenses and revenues have been reconciled and closed.

(expressed in United States dollars)

The analysis of assets and liabilities over which the Company lost control are as follows:

		November 7, 2022
Proceeds		
Cash received	$	9,450,000
Escrow receivable		350,000
Working capital adjustment		150,221
Less costs of disposal:		
Legal fees		(89,726)
Consulting fees		(643,094)
Insurance		(54,716)
Bonus payments		(1,425,432)
		7,737,253
Net assets sold		
Accounts receivable		289,037
Prepaid expenses		62,342
Property and equipment, net of depreciation		40,635
Right-of-use assets		6,969
Intangible assets		89,423
Goodwill		621,132
Accounts payable and accrued liabilities		(6,236)
Contract liabilities		(314,259)
Lease liabilities		(2,375)
Net assets disposed of		786,668
Realized gain from disposition of assets	$	6,950,585
Income tax expense		(1,482,669)
Realized gain from disposition of assets, net of tax	$	5,467,916

Net income (loss) from discontinued operations and gain on sale of the divestitures is as follows:

		2022		2021
Revenue				
Contracts with customers	$	10,224,264	$	15,342,502
Expenses				
Transaction costs		6,957,514		10,418,555
Payroll expenses		1,603,514		2,140,892
General and administrative		1,411,151		1,539,724
Professional fees		167,076		188,219
Depreciation and amortization		39,076		178,493
Franchise tax expense		120,149		64,791
Total expenses	$	10,298,916		14,530,854
Income from discontinued operations		(74,652)		811,648
Gain on disposition of subsidiary		5,467,916		-
Income tax		(15,999)		(162,880)
Net income from discontinued operations	$	5,377,265	$	648,768

(expressed in United States dollars)

Summary of Quarterly Results

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenues								
Credit Services	489,764	850,356	1,021,714	1,265,532	1,089,058	1,333,337	1,399,161	1,522,203
Consulting Fees	80,418	37,500	37,500	12,500	-	-	-	-
Other revenue	13,327	-	-	-	-	-	-	-
Total Revenues	583,509	887,856	1,059,214	1,278,032	1,089,058	1,333,337	1,399,162	1,522,203
Revenue from continuing operations	583,509	887,856	1,059,214	1,278,032	1,089,058	1,333,337	1,399,162	1,522,203
Revenue from discontinued operations	760,593	2,466,987	3,402,772	3,593,912	3,737,545	4,033,157	4,028,271	3,543,531
Net income (loss) from continuing operations	(918,314)	(133,695)	(79,298)	(89,982)	(341,882)	32,573	18,693	176,408
Net income (loss) from discontinued operations	5,441,387	(174,430)	14,760	95,548	(11,514)	209,864	259,032	191,386
Total assets	11,454,825	4,581,604	5,068,639	5,736,233	5,699,044	5,950,701	5,950,701	5,433,121
Total liabilities	3,260,211	1,478,498	1,657,221	2,260,461	2,228,838	2,127,100	2,127,100	2,129,681
Shareholders' Equity	8,194,614	3,103,106	3,411,418	3,475,772	3,470,206	3,823,601	3,823,601	3,303,440
Net income (loss) per share for continuing operations	0.48	(0.01)	(0.01)	(0.01)	(0.02)	0.00	0.00	0.01
Net income (loss) per share, discontinued operations	0.47	(0.01)	(0.01)	(0.01)	(0.02)	0.00	0.00	0.01

Net income (loss)

While net income or loss generally follows the adjusting volumes in the mortgage industry, this is also impacted by changes in amortization and depreciation, stock-based compensation, interest expense, net foreign exchange gains or losses and income taxes. These amounts are not subject to the seasonal nature of our business and fluctuate with other non-operating variable expenses.

Net income (loss) per weighted average share, basic and diluted

Basic and diluted income per share has been calculated based on the weighted average number of common shares outstanding in 2022 of 15,832,946 (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 consider the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the year ending December 31, 2022, 347,750 share options outstanding were included in the diluted net income per share calculation, resulting in 16,097,776 weighted average number of common shares outstanding (2021 – 15,917,469).

	2022	**2021**
Numerator:		
Net loss from continuing operations	**(1,221,289)**	(114,208)
Realized gain from disposition of assets, net of tax	**5,467,916**	-
Net income from discontinued operations	**(90,651)**	648,768
Net income for the year	**4,155,976**	534,560

(expressed in United States dollars)

	2022	2021
Denominator:		
Weighted average number of common shares outstanding - basic	**15,832,968**	15,741,840
Weighted average effect of diluted stock options (i)	**264,808**	175,629
Weighted average number of common shares outstanding - diluted	**16,097,776**	15,917,469

Financial Condition

Select Consolidated Statement of Financial Position Information

		December 31, 2022		December 31, 2021
Cash	**$**	**7,856,519**	$	2,172,169
Accounts receivable		**479,346**		992,155
Escrowed receivables		**350,000**		-
Notes receivable		**1,716,889**		-
Prepaid expenses		**42,791**		113,209
Property and equipment, net of depreciation	**$**	**263,749**		318,235
Intangible assets		**575,648**	$	898,093
Goodwill		**-**		915,288
Right-of-use assets		**169,883**		289,895
Accounts payable and accrued liabilities	**$**	**709,735**	$	1,634,845
Contract liabilities		**-**		295,613
Income tax payable		**1,458,607**		-
Note payable		**850,000**		-
Lease liabilities – current portion		**93,503**		91,501
Lease liabilities – non-current portion		**85,515**		206,879

Trade and Other Receivables

Consolidated trade and other receivables were $479,346 as at December 31, 2022 compared to $992,155 as at December 31, 2021. Included in this amount is $350,000 in escrowed receivables due from the purchasers of Property Interlink, LLC and Reliable Valuation Service, LLC for indemnification. As of the date of this Management's Discussion & Analysis, $300,000 has been released to the Company.

The Company also reported $1,716,889 in note receivables associated with loans made to title agencies for operating capital, which will either be repaid in full, or the amounts will reduce the aggregate purchase price of the agencies should Starrex finalize an acquisition of the entities.

The corporate segment reported $70,618 for the period ended December 31, 2021 in outstanding trade receivables, compared to $11,635 for the year ended December 31, 2021.

Share Capital

As at December 31, 2022, the share capital of the Company continued to be comprised exclusively of common shares. There are minimal dilutive securities outstanding or committed for issue, including, without limitation, options issued requiring the future issuance of new share capital by the Company.

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

(expressed in United States dollars)

Issued	Number of Common Shares	Amount $
Balance, December 31, 2021	15,752,525	7,707,501
Shares issued	543,588	568,432
Balance, December 31, 2022	**16,296,113**	8,275,933

During December 31, 2021, 200,000 options were exercised for gross proceeds of $87,377 ($112,000 Canadian Dollars ("CAD"). The grant date fair value of options exercised of $100,982 was reallocated from contributed surplus to share capital. The weighted average share price at the time of exercise was $0.44 per share.

On November 7, 2022, 543,588 common shares valued at $568,432 ($739,280 CAD), based on the quoted market price of the Company's common shares at the time of issuance, were issued in connection with the asset sale of Property Interlink, LLC and Reliable Valuation Services, LLC. Certain officers and directors received 533,332 common shares, valued at $557,707 ($725,332 CAD).

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. 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, December 31, 2020	800,000	0.61	0.59
Options exercised	(100,000)	0.50	0.53
Options exercised	(100,000)	0.37	0.48
Outstanding and exercisable, December 31, 2021 and 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	$	1.38(3)	October 5, 2023	0.76
Granted May 8, 2019	50,000(4)	50,000	$	0.59(5)	May 8, 2024	1.35
Granted November 25, 2019	25,000(2)	25,000	$	0.56(6)	November 23, 2024	1.90
Granted January 8, 2020	450,000(1)	450,000	$	0.51(7)	January 7, 2025	2.02
Total	600,000	600,000				1.80

(1) An Executive Officer 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.

Liquidity and Capital Resources

Cash

At December 31, 2022, Starrex held $7,856,519 in cash, an increase of $5,684,350 over the December 31, 2021 balance of $2,172,169 attributable to cash flows from operations and the divestitures of Property Interlink, LLC and Reliable Valuation Service, LLC.

Current assets at year-end 2022 were $10,445,545 compared to $3,277,533 at December 31, 2021. A portion of the $7,168,012 increase was attributable to the cash received in consideration of the divestitures. Note receivables loaned to title insurance agencies as operating capital comprised $1,716,889 of the increase while the balance in accounts receivable decreased by $512,809.

Liabilities

Current liabilities at December 31, 2022, were $3,174,696 compared to $2,021,959 at the prior year-end. The variance is decreases in accounts payable and contract liabilities and an increase in income tax payable.

Cash Flows

Starrex utilized $1,072,235 in operating cash flows in continuing operations and $170,941 attributable to discontinued operations. During the same period last year, the company generated $227,200 from operations associated with credit reporting activities (continuing operations) and $819,610 from appraisal services, or discontinued operations.

For the year ended December 31, 2022 the Company spent $53,044 for purchases of equipment and tenant improvements compared to $268,419 for the year ended December 31, 2021. In addition, the Company utilized $1,761,172 in support of acquisition activity and generated $7,955,685 in cash from the divestitures of Property Interlink, LLC and Reliable Valuation Service, LLC.

The Company reported $758,499 in cash flows from financing activities attributable to continuing operations for the year ended December 31, 2022 (2021 - $49,323) and utilization of $25,486 for financial activities associated with discontinued operations (2021 – ($114,757)). The amounts reported for the year ended 2022 represent lease payments and proceeds received from notes payable.

Related Party Transactions

Amcap Mortgage Ltd.

AmCap Mortgage Ltd., a related customer (by common Director), accounted for $8,170,084 (2021 - $12,696,799) of revenue to the Company. Included in this amount is $5,641,637 related to revenue from discontinued operations (December 31, 2021 - $9,585,646). As at December 31, 2022 $151,305 (December 31, 2021 – $450,189) is included in accounts receivable on the consolidated statements of financial position.

Key Management Compensation

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

i) The Company incurred $1,704,842 in management fees, bonuses and associated payroll for the year ended December 31, 2022 (2021 - $857,976) to key members of management. These fees are included in payroll, management and corporate services. At December 31, 2022 and 2021 all amounts had been paid.

ii) The company also incurred $557,707 in costs associated with the issuance of 533,332 common shares to officers and directors associated with the divestiture of Property Interlink, LLC and Reliable Valuation Service, LLC.

Subsequent Events

i) Effective March 17, 2023, the Company entered into a Purchase and Sale Agreement to purchase all of the member interests of All American Title Co., Inc., AmeriFirst Title, LLC, AAT Holdings, LLC, Ameripine, LLC and Amcap Title, LLC for an aggregate amount of $9,000,000 comprised of (i) a cash payment of $1,379,042; (ii) secured promissory note of $3,447,607 due and payable 12 months following the closing date; and (iii) secured convertible notes in the amount of $2,068,563 bearing interest at 6% per annum and due 36 months from the closing date.

i) Effective May 1, 2023, the Company entered into a non-binding letter of intent to purchase all the member interests in Magnolia Title Arkansas, LLC, Magnolia Title Florida, LLC, Coast to Coast Title, LLC and Sol City Title, LLC. The proposed acquisition is expected to consist of the contributions of 100% of the issued and outstanding equity securities of Starrex Holdings, Inc., and Starrex Insurance Holdings Inc. (collectively, the "Starrex Subsidiaries"),by Starrex (on the one hand), and the contributions of 100% of the issued and outstanding equity securities of the Magnolias by their respective equity holders (each, a "Magnolia Contributor" and collectively, the "Magnolia Contributors") (on the other hand), to a newly formed U.S. corporation organized under the laws of the State of Delaware or some other State selected by Starrex ("Newco"), in exchange for Newco stock (the "Proposed Transaction").. The stock consideration has been reduced by the aggregate expected amount of promissory notes that will be outstanding at the Closing (as defined herein) of the Proposed Transaction in the aggregate amount of

US$4 million (the "Magnolias Debt"), which notes were recently issued by the Magnolias to Starrex. The transaction is subject to the completion of a binding agreement, which would then be subject to regulatory and shareholder approval, among other conditions. There can be no guarantee that this transaction will close on the terms noted or at all.

Critical Accounting Estimates

We use information from our financial statements, prepared in accordance with IFRS and expressed in U.S. dollars, to prepare our MD&A. Our financial statements include estimates and judgments that affect the reported amounts of our assets, liabilities, revenues, expenses and, where and as applicable, disclosures of contingent assets and liabilities. On a periodic basis, we evaluate our estimates, including those that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. Areas that are subject to judgment and estimate include revenue recognition, impairment of goodwill and non-financial assets, the determination of fair values in connection with business combinations, the determination of fair value for warrants and financial instruments, lease terms, estimation of incremental borrowing rates to determine the carrying amount of right-of-use assets and lease liabilities and the likelihood of realizing deferred income tax assets. Our estimates and judgments are based on historical experience, our observation of trends, and information, valuations and other assumptions that we believe are reasonable when making an estimate of an asset or liability's fair value. Due to the inherent complexity, judgment and uncertainty in estimating fair value, actual amounts could differ significantly from these estimates.

Areas requiring the most significant estimate and judgment are outlined below.

Goodwill

The change in net carrying amount of goodwill for the years ended December 31, 2022 and 2021 is as follows

	Property Interlink, LLC	MFI Credit Solutions, LLC	Total
Balance, December 31, 2020 and 2021	$ 621,132	$ 294,156	$ 915,288
Disposal (Note 20)	(621,132)	-	(621,132)
Impairment	-	(294,156)	(294,156)
Balance, December 31, 2022	**$ -**	**$ -**	**$ -**

During December 31, 2022, the Company divested the related assets of Property Interlink, LLC and goodwill in the amount of $621,132 was disposed of (Note 20). As at December 31, 2022, the remaining goodwill balance was allocated to MFI Credit Solutions, LLC. The Company has assessed that there is a single cash generating unit. The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of its CGU to below its carrying value and, therefore, require goodwill to be tested for impairment at the end of each reporting period.

As at December 31, 2022, the Company performed its annual impairment test on the goodwill based on the higher of value in use ("VIU") and fair value less cost of disposal ("FVLCD") of the cash generating unit ("CGU"), determined in accordance with the expected cash flow approach, a level 3 valuation technique. The recoverable amount was determined to be the VIU, in the amount of $575,468. The key assumptions used in the calculation of the recoverable amount relate to five-year future cash flows, weighted average cost of capital ("WACC") and growth rate. These key assumptions were based on historical data from internal sources as well as industry and market trends.

WACC	2022	2021
Property Interlink, LLC	N/A	15.4%
MFI Credit Solutions, LLC	23.65%	17.9%

(expressed in United States dollars)

Growth rate	2022	2021
Property Interlink, LLC	N/A	15.4%
MFI Credit Solutions, LLC	0%	17.9%

As the recoverable amount was below the carrying value of $952,440 as at December 31, 2022, an impairment loss of $376,972 (2021 - $nil) was recognized, of which $294,156 allocated to goodwill, with the remaining allocated to credit bureau repository codes (Note 4).

Business Combinations

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

Taxes

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 is also subject to tax regulations as they relate to flow-through financing arrangements. 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.

Leases

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 consolidated financial statements.

Expected Credit Losses

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.

Other

Other estimates include, but are not limited to, the following: identification of CGUs, impairment assessments for non-financial assets, inputs to the Black-Scholes option pricing model used to value stock-based compensation, estimates of property and equipment's useful life, assessing provisions, estimating the likelihood of collection to determine our allowance for doubtful accounts, the fair value of financial instruments, control assessment of subsidiaries, contingencies related to litigation and contingent acquisition payables, claims and assessments and various economic assumptions used in the development of fair value estimates, including, but not limited to, interest and inflation rates and a variety of option pricing model estimates.

Risk and Risk Management

Risks and uncertainties facing us, and how we manage these risks.

Business Risk

Starrex has established policies and procedures to identify, manage and control operational and business risks that may impact our financial position and our ability to continue ordinary operations. Management is responsible for ongoing control and mitigation of operational risk by ensuring the appropriate policies, procedures, and internal controls, as well as compliance measures are undertaken.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil 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. On December 31, 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.

For all other financial instruments, the Company recognizes the loss allowance for that financial instrument at an amount equal to 12-month ECLs. However, when there has been a significant increase in credit risk on these other financial instruments since initial recognition, lifetime ECLs are recognized. The Company has not experienced any collection issues with respect to its escrow receivable and loan receivable and has not provided for expected credit losses in 2022 or 2021.

Financial Risk

The Company maintains strong internal controls, including management oversight at both the parent and subsidiary levels, to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS.

Market Risk

The only significant market risk exposure to which the Company is currently exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on otherwise inactive cash balances at variable rates. The fair value of the Company's cash are relatively unaffected by normal changes in short-term interest rates.

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. On December 31, 2022, the Company had cash of $7,856,519 (December 31, 2021 - $2,172,169) available to settle current liabilities of $3,174,696 (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 Company is exposed to this risk on its note payable, which bears variable interest rate as detailed in Note 16. The interest rate risks 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 of December 31, 2022, and 2021, the Company held immaterial amounts of cash, accounts receivable and accounts payable and accrued liabilities in CDN currency and considers foreign currency risk to be low.

		December 31, 2022		December 31, 2021
Accounts receivable		**27,380**		14,886
Accounts payable and accrued liabilities		**(31,268)**		(2,241)
Total	$	**(3,888)**	$	12,645

Acquisition Activities

Identifying, executing, and realizing attractive returns on business combinations is highly competitive and involves a high degree of uncertainty. The Company continually evaluates opportunities to acquire additional complementary businesses. Any resulting acquisitions may be significant in size, may change the scale of the Company's business, and may expose the Company to new geographic, political, operating, financial and other risks. Success in the Company's acquisition activities depends on the Company's ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Risks include the difficulty of assimilating the operations and personnel of any acquired companies, the potential disruption of the Company's ongoing business, the inability of management to maximize the Company's financial and strategic position through the successful integration of acquired assets and businesses, the maintenance of uniform standards, controls, procedures and policies, the impairment of relationships with customers and contractors as a result of any integration of new management personnel and the potential unknown liabilities associated with acquired businesses.

The Company may be affected by numerous risks inherent in the business operations which the Company acquires. For example, if the Company combines with a financially unstable business or an entity lacking an established record of sales or earnings, the Company may be affected by the risks inherent in the business and operations of a financially unstable or an undercapitalized entity. Although the Company's executive officers and directors will endeavour to evaluate the risks inherent in a particular target business, the Company cannot assure that the Company will properly ascertain or assess all of the significant risk factors or that the Company will have adequate time to complete due diligence investigations. Furthermore, some of these risks may be outside of the Company's control and leave the Company with no ability to control or reduce the chances that those risks will adversely impact a target business.

In addition, the Company may need additional capital to finance an acquisition. Historically, the Company has raised funds through equity financing, although recently the Company used a convertible debt instrument. However, the market prices for financial services are highly speculative and volatile. Accordingly, instability in prices may affect interest in such businesses and the development of such businesses that may adversely affect the Company's ability to raise capital to acquire complementary businesses. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Financial Information Controls and Procedures

Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Words such as "aim", "could", "forecast", "target", "may", "might", "will", "would", "expect", "anticipate", "estimate", "intend", "plan", "seek", "believe", "predict" and "likely", and variations of such words and similar expressions are intended to identify such forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this MD&A includes statements which reflect the current expectations of the Company's management with respect to the Company's business and the industry in which it operates and is based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The forward-looking information reflects management's beliefs based on information currently available to management, including information obtained from third-party sources, and should not be read as a guarantee of the occurrence or timing of any future events, performance, or results. The forward-looking information in this MD&A includes, but is not limited to, statements related to:

- the key factors that have a significant impact on our financial performance.
- anticipated economic conditions.
- the regulatory environment in which we operate.
- our competitive position relative to our competitors.
- anticipated industry and market trends, including the seasonality of our business; and
- our intentions with respect to the implementation of new accounting standards.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its President and Chief Executive Officer ("CEO"), and its Audit Committee to ensure appropriate and timely decisions are made regarding public disclosure. Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. In the Corporation's 2021 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. In the Corporation's second quarter 2022 filings, the Corporation's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting. The Corporation's Audit Committee reviewed this MD&A and the interim unaudited condensed consolidated financial statements and notes, and the Corporation's Board of Directors approved these documents prior to their release.

Changes in Internal Controls over Financial Reporting

There have been no material changes to the Corporation's internal controls over financial reporting during the twelve months ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.