# Management's Discussion and Analysis

For the Year Ended December 31, 2023

## 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, 2023. 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 April 29, 2023 and should be read in conjunction with our audited annual consolidated financial statements ("financial statements") for the year ended December 31, 2023, 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, 2023, 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 April 29, 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.

*Title Insurance*

The Company acquired four title insurance entities in Minnesota which consolidated into one newly formed entity effective March 17, 2023. All American Title Co., Inc. has been in the title insurance business for more than 24 years and is a leading provider of title insurance services in Minnesota and Wisconsin. Revenue is recognized at the time of closing of the underlying transaction as the earning process is then complete. Regulation of title insurance rates varies by state. Premiums are charged to customers based on rates predetermined in coordination with each states' respective Department of Insurance. Cash associated with such revenue is typically collected at closing of the underlying real estate transaction. Premium revenues from agency title operations are recognized when the underlying title insurance order and transaction closing, if applicable, are complete.

## Important Factors Affecting our Result 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.

(expressed in United States dollars)

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.

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, 2023, the Company utilized $Nil of the credit associated with the revolving line of credit facility (December 31, 2022 - $850,000) 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 years ended December 31, 2023 and 2022.

## Review of Operations for the year ended December 31, 2023

We conduct our business in the United States in two reportable segments as at December 31, 2023 – 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | Change | % Change | **2023** | 2022 | Change | % Change |
| Revenue | **$ 2,601,250** | $ **3,627,366** | $ (1,026,401) | -28.29% | **$ 440,562** | $ **489,764** | $ (49,202) | -10.05% |
| Transaction costs | **$ 2,149,535** | $ **2,303,749** | $ (154,214) | -6.69% | **$ 401,340** | $ **387,285** | $ 14,055 | 3.63% |
| Operating expenses | **$ 696,602** | $ **1,014,190** | $ (317,588) | -31.31% | **$ 167,415** | $ **203,596** | $ (36,181) | -17.77% |
| Depreciation and amortization | **$ 14,530** | $ **112,102** | $ (97,572) | -87.04% | **$ 683** | $ **28,026** | $ (27,343) | -97.56% |
| Impairment loss | **$ -** | $ **376,972** | $ (376,972) | -100.00% | **$ -** | $ **376,972** | $ (376,972) | -100.00% |
| Management fees | **$ 37,640** | $ **305,075** | (267,435) | -87.66% | **$ 16,976** | $ **76,269** | $ (59,293) | -77.74% |
| Tax expense | **$ 8,500** | $ - | $ 8,500 | -100.00% | **$ 2,125** | $ - | $ 2,125 | -100.00% |

**Revenues**

During the year ended December 31, 2023, MFI generated $2,061,250 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 28.29% over the year ending 2022 and 10.05% during the fourth quarter of 2023, which is attributable to the increasing interest rates and associated inflationary measures in the United States.

**Transaction Costs**

(expressed in United States dollars)

Transaction costs attributable to the credit reporting business declined in proportion to the decline in revenue. For the year ending 2023, costs to produce credit reports declined by 6.69%; for the fourth quarter of 2023, they increased by 3.63% as one of the credit bureaus increased their base cost.

**Operating Expenses**
Operating expenses in MFI Credit Solutions, LLC decreased by $317,588 for the year ended December 31, 2023, compared to the same period in 2022. 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | Change | % Change | **2023** | 2022 | Change | % Change |
| Revenue | $ **535,439** | $ **125,000** | $ 410,439 | 328.35% | $ **64,516** | $ **46,261** | $ 18,255 | 39.46% |
| Operating expenses | $ **1,433,157** | $ **367,697** | $ 1,065,460 | 289.77% | $ **849,690** | $ **(55,185)** | $ 904,875 | -1639.71% |
| Depreciation & amortization | $ **145,564** | $ **18,434** | $ 127,130 | 689.65% | $ **18,434** | $ **18,434** | $ - | 0.00% |
| Professional expenses | $ **835,505** | $ **544,705** | $ 290,800 | 53.39% | $ **251,468** | $ **(22,058)** | $ 273,525 | -1240.03% |
| Tax expense | $ **(181,520)** | $ _ | $ (181,520) | 100.00% | $ **50** | - | $ 50 | 100.00% |

**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 as well as actuarial and professional expenses. These expenses, in aggregate, increased by $1,065,460 for the year ending December 31, 2023 over December 31, 2022. This increase is due to the fact that support services payroll is in the Corporate segment. A portion of this of offset with the activity in All American Title Company, LLC acquired effective March 17, 2023.

***Selected financial information attributable with All American Title Company, LLC is provided in the table below.***

| | Year ended December 31, 2023 | Three months ended December 31, 2023 |
|---|---|---|
| | **2023** | **2023** |
| Revenue | $ **6,439,465** | $ **1,758,748** |
| Transaction costs | $ **529,333** | $ **132,105** |
| Operating expenses | $ **5,295,785** | $ **1,707,107** |
| Depreciation & amortization | $ **637,679** | $ **343,968** |
| Management fees | $ **658,700** | $ **325,663** |
| Professional expenses | $ **137,035** | $ **19,642** |
| Tax expense | $ - | $ - |

**Acquisition of All American Title Company, LLC**

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 ("AAT") for an aggregate amount of $8,746,640 comprised of:

(expressed in United States dollars)

(i) a cash payment of $1,800,000;

(ii) secured non-interest bearing promissory notes in the aggregate amount of $4,500,000 due and payable 12 months following the closing date. These notes are secured pursuant to a Pledge and Security Agreement whereby the membership interests represented by the amount of the note are pledged as security until the particular promissory note is paid in full (See note 15). The proportion of membership interests that were represented by the cash amount have not been pledged as security for these notes. In addition, the indebtedness has been guaranteed by Starrex;

(iii) secured convertible notes in the amount of $2,700,000 (See Note 16) bearing interest at 6% per annum and due 36 months from the closing date conditional upon earn out provisions based on a target EBITDA for the entities acquired. To the extent annual EBITDA targets are met, the holders will be entitled to receive a pro-rated payment. If the annual targets are not met the holders are not entitled to receive a prepayment. At the end of the three year term, the principal amount of the notes outstanding will be adjusted downwards by an amendment to the notes or by cancellation depending on the average performance achieved by the entities over the term of the notes. Interest is payable in cash semi-annually in arrears unless such interest amount is converted at the option of the holder and payable in common shares of Starrex based on the closing price of Starrex shares on the trading day prior to the conversion date. In addition, the holder of the notes may elect to convert all or any part of the principal amount into Starrex shares at a price of $2.09 (See Note 15). These notes are secured pursuant to a Pledge and Security Agreement whereby the membership interests represented by the amount of the note are pledged as security until the particular promissory note is pain in full. The proportion of membership interests that were represented by the cash amount have not been pledged as security for these notes. In addition, the indebtedness has been guaranteed by Starrex.;

(iv) Starrex also provided $1,000,000 of working capital as of the closing date of the transaction.

All American Title Co,, Inc. was acquired due to its accretive value and the alignment of corporate vision in the mortgage and real estate space in which Starrex operates. Since 2014, Starrex has operated consumer credit reporting agencies, staff appraisal and appraisal management subsidiaries, all of which are in the same market space as mortgage title insurance.

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

| **Consideration Paid** | |
|---|---|
| Cash | $ 1,800,000 |
| Secured non-interest bearing promissory notes | 4,196,626 |
| Secured convertible notes | 2,750,014 |
| **Fair value of identifiable assets and liabilities acquired:** | |
| Accounts receivable | 4,000 |
| Property and equipment | 50,575 |
| Other assets | 32,391 |
| Customer relationships | 3,992,000 |
| Non-competition agreements | 1,043,000 |
| Accounts payable | (44,934) |
| Right-of-use Assets | 1,092,435 |
| Lease liabilities | (1,092,435) |
| Goodwill | 3,669,608 |
| | $ 8,746,640 |

(expressed in United States dollars)

## Summary of Quarterly Results

| | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 |
|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | |
| Title Insurance | 1,758,748 | 2,354,976 | 2,085,376 | 240,365 | - | - | - | - |
| Credit Services | 440,562 | 602,147 | 711,706 | 846,835 | 489,764 | 850,356 | 1,021,714 | 1,265,532 |
| Consulting | 59,917 | 151,923 | 192,076 | 146,992 | 80,418 | 37,500 | 37,500 | 12,500 |
| Other revenue | 4,599 | 35,656 | 15,925 | 16,570 | 13,327 | - | - | - |
| Interest income | 98,930 | 55,877 | 37,329 | 25,140 | - | - | - | - |
| Revenue from continuing operations | 2,362,756 | 3,200,579 | 3,042,412 | 1,275,902 | 583,509 | 887,856 | 1,059,214 | 1,278,032 |
| Revenue from discontinued operations | - | - | - | - | 760,593 | 2,466,987 | 3,402,772 | 3,593,912 |
| Net income (loss) from continuing operations | (3,860,974) | (236,988) | (949,873) | (440,940) | (918,314) | (133,695) | (79,300) | (89,982) |
| Net income (loss) from discontinued operations | - | - | - | - | 5,441,387 | (174,430) | 14,760 | 95,548 |
| Total assets | 13,008,536 | 19,547,907 | 17,833,361 | 20,095,605 | 11,454,825 | 4,581,604 | 5,068,639 | 5,736,233 |
| Total liabilities | 9,226,955 | 12,080,851 | 10,692,596 | 11,682,770 | 3,260,211 | 1,478,498 | 1,657,221 | 2,260,461 |
| Shareholders' Equity | 3,781,581 | 7,467,056 | 7,140,765 | 8,412,835 | 8,194,614 | 3,103,106 | 3,411,418 | 3,475,772 |
| Net income (loss) per share for continuing operations | (0.23) | (0.01) | (0.06) | (0.03) | 0.48 | (0.01) | (0.00) | (0.01) |
| Net income (loss) per share, discontinued operations | - | - | - | - | 0.34 | (0.01) | 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**

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.

| | **2023** | **2022** |
|---|---|---|
| **Numerator:** | | |
| Net loss from continuing operations | **(5,488,685)** | (1,221,289) |
| Realized gain from disposition of assets, net of tax (Note 21) | **-** | 5,467,916 |
| Net income from discontinued operations (Note 21) | **-** | (90,651) |
| Net income for the year | **(5,488,685)** | 4,155,976 |

(expressed in United States dollars)

| | | |
|---|---|---|
| **Denominator:** | | |
| Weighted average number of common shares outstanding - basic | **16,494,058** | 15,832,968 |
| Weighted average effect of diluted stock options (i) | **-** | 264,808 |
| Weighted average number of common shares outstanding - diluted | **16,494,058** | 16,097,776 |

| | | |
|---|---|---|
| **Basic net income (loss) per share for the year** | | |
| Continuing operations | **(0.33)** | (0.08) |
| Discontinued operations | **-** | 0.34 |
| Net income per share for the year | **(0.33)** | 0.26 |

| | | |
|---|---|---|
| **Diluted net income (loss) per share for the year** | | |
| Continuing operations | **(0.33)** | (0.07) |
| Discontinued operations | **-** | 0.33 |
| Net income per share for the year | **(0.33)** | 0.26 |

(i) The determination of the weighted average number of common shares outstanding – diluted excludes all options because they were anti-dilutive for the year ended December 31, 2023 (December 31, 2022 – 75,000).

## Financial Condition

**Select Consolidated Statement of Financial Position Information**

| | | **December 31, 2023** | | December 31, 2022 |
|---|---|---|---|---|
| Cash | **$** | **2,343,819** | $ | 7,856,519 |
| Accounts receivable | | **450,080** | | 479,346 |
| Escrowed receivables | | **-** | | 350,000 |
| Notes receivable | | **-** | | 1,716,889 |
| Prepaid expenses | | **146,450** | | 42,791 |
| | | | | |
| Property and equipment, net of depreciation | **$** | **270,088** | | 263,749 |
| Intangible assets | | **5,104,490** | $ | 575,648 |
| Goodwill | | **3,669,608** | | - |
| Right-of-use assets | | **1,024,001** | | 169,883 |
| | | | | |
| Accounts payable and accrued liabilities | **$** | **1,454,762** | $ | 772,586 |
| Contract liabilities | | **-** | | - |
| Note payable | | **6,723,588** | | |
| Lease liabilities – current portion | | **252,876** | | 93,503 |
| Lease liabilities – non-current portion | | **795,729** | | 85,515 |

**Trade and Other Receivables**

Consolidated trade and other receivables were $450,080 as at December 31, 2023 compared to $497,346 as at December 31, 2022. These receivables are in normal course and expected in the credit reporting and title insurance industries. Included in this amount IS $44,751 in HST receivables.

(expressed in United States dollars)

## Share Capital

As at December 31, 2023, 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.

| 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 |
| Shares issued | 250,000 | 350,000 |
| **Balance, December 31, 2023** | **16,546,113** | **8,575,933** |

On March 17, 2023, 250,000 common shares, valued at $300,000 ($410,000 CAD) based on the quoted market price of the Company's common shares at the time of issuance, were issued in conjunction with the acquisition of All American Title Co., Inc. (Note 3).

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 Service, LLC. Certain officers and directors received 533,332 common shares, valued at $557,707 ($725,332 CAD). This compensation is included in discontinued operations (Note 21).

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 $ |
|---|---|---|
| Outstanding, December 31, 2021 and 2022 | 600,000 | 0.64 |
| Options expired | (75,000) | 1.38 |
| Options forfeited | (35,500) | 1.20 |
| Options issued | 300,000 | 1.20 |
| Outstanding, December 31, 2023 | **789,500** | **0.81** |

| | Number of Options Outstanding | Number of Options Exercisable | | Exercise Price | Expiry Date | Weighted Average Remaining Life |
|---|---|---|---|---|---|---|
| Granted May 8, 2019 | 50,000(4) | 50,000 | $ | 0.59(5) | May 8, 2024 | 0.35 |
| Granted November 25, 2019 | 25,000(2) | 25,000 | $ | 0.56(6) | November 23, 2024 | 0.90 |
| Granted January 8, 2020 | 450,000(1) | 450,000 | $ | 0.51(7) | January 7, 2025 | 1.02 |
| Granted March 17, 2023 | 264,500(8) | - | $ | 1.20 | March 17, 2028 | 4.21 |
| Total | 789,500 | 525,000 | | | | 2.05 |

(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.
(8) These options vest over three years.

## Liquidity and Capital Resources

**Cash**

At December 31, 2021, Starrex held $2,343,819 in cash, an decrease of $5,512,700 over the December 31, 2022 balance of $7,856,519. The decrease is attributable to the settlement of the note payable as well as the acquisition of All American Title Insurance Company, LLC.

Current assets at year-end 2023 were $2,940,349 compared to $10,445,545 at December 31, 2022. This is largely due to the divestitures of Property Interlink, LLC and Reliable Valuation Service, LLC effective November 7, 2022.

**Contingencies and Commitments**

The Company is party to various claims and proceedings arising in the normal course of business. Management does not expect these matters to have a material adverse effect on the Company's results of operations or financial position.

**Liabilities**

Current liabilities at December 31, 2023, were $8,431,226 compared to $3,174,696 at the prior year-end. The variance is primarily due to the note payable and the convertible note payable due to the Sellers of All American Title Company, LLC. The amounts due for the two notes is $6,723,588. The remainder of the current liabilities balance is comprised of normal course payables and accrued liabilities.

**Cash Flows**

Starrex utilized $2,069,742 in operating cash flows in continuing operations. During the same period last year, the company utilized $1,072,235 from continuing operations and $170,941 from discontinued operations.

For the year ended December 31, 2023 the Company spent $9,063 for purchases of equipment compared to $53,044 for the year ended December 31, 2022. In addition, the Company utilized $1,800,000 in support of acquisition activity and utilized $3,211,047 of the operating line of credit.

The Company reported $1,577,152 in cash flows from financing activities attributable to continuing operations for the year ended December 31, 2023 (2022 - $758,499); during 2022, the company generated $7,955,685 in activities associated with discontinued operations. The amounts reported for the year ended 2022 represent lease payments and proceeds received from notes payable.

**Related Party Transactions**

AmCap Mortgage Ltd., a related customer (by common Director), accounted for $1,774,806 (December 31, 2022 - $8,170,084) of revenue to the Company. Of this amount $Nil relates to revenue from discontinued operations (December 31, 2022 - $5,641,637) (Note 21). As at December 31, 2023 $169,043 (December 31, 2022 – $151,305) 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 $410,560 in management fees, bonuses and associated payroll for the year ended December 31, 2023 (2022 - $1,704,842) to key members of management. These fees are included in payroll, management and corporate services and net income from discontinued operations. At December 31, 2023 and 2022 all amounts had been paid.

ii) The Company incurred $118,355 of professional fees for the year-ended December 31, 2023 (2022 – $100,458) from a law firm for legal services. One of the directors of the Company is a partner in this law firm. Included in accounts payable and accrued liabilities as at December 31, 2023 is $6,712 (2022 – $21,430) owing to this law firm. The amounts are unsecured, non-interest bearing and due on demand.

iii) The company also incurred $557,707 in share-based payments during the year ended December 31, 2022 associated with the issuance of 533,332 common shares to officers and directors associated with the divestiture of related assets in Property Interlink, LLC and Reliable Valuation Service, LLC. This compensation is included in discontinued operations (Note 21).

**Subsequent Events**

i) Effective February 1, 2024, Starrex Insurance Holdings, Inc. entered into a loan agreement with a title insurance company in the amount of $125,000, of which $50,000 has been advanced. The note carries an interest rate of 6% per annum, with interest payments due July 1, 2024, October 1, 2024 and January 1, 2025. The maturity date of the note is February 1, 2025.

ii) Effective March 17, 2024, the Company was in default for non-payment of the promissory note due in conjunction with the acquisition of All American Title Company, LLC. The outstanding balance remains unpaid as of the date of audit. It is important to note that subsequent to the due date, the parties entered into negotiations with the involved parties regarding a potential settlement arrangement. These negotiations are ongoing.

iii) Effective March 21, 2024, the Company entered into an agreement to divest substantially all of the related assets of MFI Credit Solutions, LLC for a total consideration of $500,000 cash. The Company incurred $9,730 of professional fees related to the sale.

## 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**

Goodwill and intangibles with indefinite life are not amortized but are evaluated for impairment annually or when indicators for potential impairment are present. The Company's impairment testing is based on valuation models that incorporate assumptions and internal projections of expected future cash flows. We evaluated goodwill and intangibles with indefinite life as at December 31, 2022, and have determined there is no indication of impairment.

| | **Property Interlink LLC** | **MFI Credit solutions, LLC** | **All American Title Company, LLC** | **Total** |
|---|---|---|---|---|
| Balance, December 31, 2021 | **$ 621,132** | **$ 294,156** | $ - | **$** 915,288 |
| Disposal (Note 20) | **(621,132)** | **-** | - | (621,132) |
| Impairment | **-** | **(294,156)** | - | (294,156) |
| Balance, December 31, 2022 | **$ -** | **$ -** | $ - | **$** - |
| Acquisition (Note 3) | **-** | **-** | 3,669,608 | 3,669,608 |
| **Balance, December 31, 2023** | **$ -** | **$ -** | $ 3,669,608 | **$** 3,669,608 |

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 21). As at December 31, 2022, the remaining goodwill balance related 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.

(expressed in United States dollars)

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.

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 5).

| WACC | 2023 | 2022 |
|---|---|---|
| MFI Credit Solutions, LLC | N/A | 23.65% |

| Growth Rate | 2023 | 2022 |
|---|---|---|
| MFI Credit Solutions, LLC | N/A | 0% |

**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. As at December 31, 2023 and 2022, 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.

### 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 and cash equivalents 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, 2023, the Company had cash of $2,323,819 (December 31, 2022 - $7,856,519) available to settle current liabilities of $8,431,226 (December 31, 2022 - $3,174,696).

**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 on the note payable to Agents National Title Insurance Company is prime less 0.50% and is payable monthly. The Company also accrues interest expense on the convertible note payable associated with the acquisition of All American Title Company, LLC The fair value of future cash flows of our financial instruments will fluctuate due to changes in market interest rates. The Company's sensitivity to a 1% decrease or increase in market rates of interest would have an immaterial effect on the Company's interest expense.

**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 December 31, 2023 and 2022, the Company held immaterial amounts of accounts receivable and accounts payable and accrued liabilities in Canadian currency and considers foreign currency risk to be low.

| | | December 31, 2022 | | December 31, 2022 |
|---|---|---|---|---|
| Accounts receivable | $ | 59,206 | $ | 27,380 |
| Accounts payable and accrued liabilities | | (174,472) | | (31,268) |
| **Total** | $ | (115,266) | $ | (3,888) |

**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, 2023, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.