



Management's Discussion and Analysis

For the three months ended March 31, 2023 and 2022

INTRODUCTION

The following management discussion and analysis (“MD&A”) has been prepared as of May 30, 2023 and is related to the unaudited consolidated financial results of Starrex International Ltd (“Starrex” or the “Company”) and its wholly-owned subsidiaries, Property Interlink, LLC, Reliable Valuation Service, LLC, MFI Credit Solutions, LLC, Starrex Holdings, Inc., Starrex Insurance Holdings, Inc., Starrex Technical Services, LLC and All American Title Co., Inc., collectively referred to as the (“Group”) for the three-month period ended March 31, 2023. The condensed interim unaudited consolidated financial statements for the three-month period ended March 31, 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes for the three-month period ended March 31, 2023. Other pertinent information about the Group is available on SEDAR at www.sedar.com as well as on the Company’s website at www.starrexintl.com. For the purpose of preparing our MD&A, the Company considers the materiality of information. Information is considered material if in the opinion of management: (i) such information results in, or would reasonably be expected to result in, a significant effect in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances. All dollar amounts are stated in United States dollars unless otherwise indicated.

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning our objectives and our strategies to achieve those objectives, statements with respect to management’s beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as “indicators”, “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management.

The forward-looking statements in this MD&A are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under “Risks and Uncertainties”, which could cause actual results, operations or performance to differ materially from the forward-looking statements in this MD&A. Those risks and uncertainties include risks associated with property ownership, tenant termination and financial stability, liquidity, competition for real property investments, general uninsured losses and environmental matters. Historical results and percentage relationships contained in the Company’s financial statements and MD&A, including trends that might appear, should not be taken as indicative of our future results, operations or performance.

Although the forward-looking statements contained in this MD&A are based on what management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements. All forward-looking statements in this MD&A are qualified by this forward-looking disclaimer. These statements are made as of March 31, 2023 and, except as required by applicable law, we undertake no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

BUSINESS OVERVIEW

The strategy of the Company is to focus on development and acquisitions in the real estate and housing sectors. 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 agencies 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.

OVERALL PERFORMANCE

As at March 31, 2023, the Company owned and managed nine title insurance agencies located in Minnesota. The acquisition of All American Title Co., Inc. closed on March 17, 2023, which remains unallocated.

Revenue associated with All American Title Co., Inc. from date of acquisition through March 31, 2023 was \$240,365 and is derived from title insurance settlement fees and premiums. The company paid \$41,264 in commissions for the title insurance activities and operating expenses of \$176,877, resulting in net income of \$22,224.

Our credit reporting segment, MFI Credit Solutions, LLC, continues to see a decline in activity as interest rates increase. We reported \$846,835 in revenue associated with credit reporting activity for the quarter ended March 31, 2023 compared to \$1,265,532 for the quarter ended March 31, 2022. Operating expenses for the first quarter of 2023 were \$818,762, which resulted in net income of \$28,073.

The net loss reported for continuing operations for the first three months of 2023 was \$440,940 (March 31, 2022 – net loss of \$89,982).

ACQUISITIONS

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 \$10,359,160 comprised of (i) a cash payment of \$1,800,000; (ii) secured promissory note of \$4,500,000 due and payable 12 months following the closing date; (iii) secured convertible notes in the amount of \$2,700,000 bearing interest at 6% per annum and due 36 months from the closing date, (iv) 250,000 shares of Starrex common stock \$1.20 per share, and (v) 200,000 options to purchase common shares of Starrex stock with a fair market value of \$1.20.

The following sets forth details of the purchase, which remains unallocated as of March 31, 2023.

Consideration Paid	10,359,160
Unallocated assets	9,615,951
Working capital	1,000,000
Property and equipment	50,575
Accounts receivable	4,000
Other assets	32,393
Accounts payable	(53,759)
	<u>\$10,359,160</u>

RESULTS OF OPERATIONS

Revenues: Overall revenue decreased nominally by \$2,130, which is the net result of a decline in credit reporting revenue by \$418,697 over the first quarter in 2022 combined with the addition of title insurance revenue of \$240,365 and consulting / other revenue reported in the corporate segment of \$188,702. The Corporate segment continues to consult with the buyers of discontinued operations as the entities transition to new management.

Expenses: Overall expenses for the first quarter of 2023 were \$1,716,842 and include commissions paid for title insurance activity along with costs associated with providing credit reports to consumers. By comparison, this amount was \$1,368,014 for the first quarter ended March 31, 2022. Professional fees were slightly higher during the first quarter as the Company continues to work with consultants for tax planning and acquisition allocation.

Income Taxes: Net income taxes of \$1,542,838 were accrued as at December 31, 2022, and paid in full in April 2023. These amounts were attributable to the gain on sale associated with the sale of assets in Property Interlink, LLC and Reliable Valuation Service, LLC effective November 7, 2022.

SUMMARY OF QUARTERLY RESULTS

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2022	Q3 2020	Q2 2020
Revenues								
Title Insurance	240,365	-	-	-	-	-	-	-
Credit Services	846,835	489,764	850,356	1,021,714	1,265,532	1,089,058	1,333,337	1,399,162
Consulting Income	146,992	80,418	37,500	37,500	12,500	-	-	-
Other revenue	41,711	13,327	-	-	-	-	-	-
Revenues, continuing operations	1,275,902	583,529	887,856	1,059,214	1,278,032	1,089,058	1,333,337	1,339,162
Revenues, discontinued operations	-	760,593	2,466,987	3,402,772	3,593,912	3,737,545	4,033,157	4,028,271
Net income (loss), continuing operations	(440,940)	(918,314)	(133,695)	(79,298)	(89,982)	(330,476)	32,573	18,693
Net income (loss), discontinued operations	-	5,441,387	(174,430)	14,760	95,548	(22,920)	209,864	259,032
Total assets	20,095,605	11,454,825	4,581,604	5,068,639	5,736,233	5,699,044	5,950,701	5,950,701
Total liabilities	11,682,770	3,260,211	1,478,498	1,657,221	2,260,461	2,228,838	2,127,100	2,127,100
Shareholders' Equity	8,412,835	8,194,614	3,103,106	3,411,418	3,475,772	3,470,206	3,823,601	3,823,601
Net income (loss) per share, continuing operations	(0.03)	0.48	(0.01)	(0.01)	(0.01)	(0.02)	0.00	0.00
Diluted net income (loss) per share, continuing operations	(0.03)	0.47	(0.01)	(0.01)	(0.01)	(0.02)	0.00	0.00
Net income (loss) per share, discontinued operations	-	0.34	(0.01)	0.00	0.01	(0.00)	0.02	0.02
Diluted net income (loss) per share, discontinued operations	-	0.34	(0.01)	0.00	0.01	(0.00)	0.02	0.02
Basic weighted average number of shares outstanding	15,976,571	15,832,968	15,752,525	15,752,525	15,752,525	15,741,840	15,691,429	15,635,539
Basic weighted average number of shares outstanding	15,976,571	16,097,776	15,752,525	15,752,525	15,752,525	15,917,469	15,873,505	15,737,879

LIQUIDITY & CAPITAL RESOURCES

At March 31, 2023, Starrex held \$5,430,838 in cash with current assets of \$9,461,666 and current liabilities of \$7,021,649.

On the balance sheet as at March 31, 2023, the Company reported \$4,500,000 in short term notes payable. This amount is part of the acquisition of All American Title Co., Inc. and is due twelve months from the date we closed the acquisition (March 17, 2023).

Total long term notes payable reported as at March 31, 2023 were \$4,650,000 and are attributable to \$2,700,000 due to the sellers of All American Title Co., Inc. three years from the date of close, along with \$1,950,000 payable to Agents National Title Insurance Company. This amount has been used to support operating activities of Magnolia Title. The Company also reported a note receivable of \$3,292,527 from Magnolia Title, with a maturity date of June 30, 2023 (See Note 9 of the condensed interim consolidated financial statements).

As at March 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, 2022	16,296,113	8,275,933
Shares issued	250,000	300,000
Balance, March 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 connection with the acquisition of All American Title Co., Inc.

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 and exercisable, December 31, 2022	600,000	0.64	0.59
Options issued	300,000	1.20	1.20
Outstanding and exercisable, March 31, 2023	900,000	0.81	0.77

	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	\$ 1.40 ⁽³⁾	October 5, 2023	0.51
Granted May 8, 2019	50,000 ⁽⁴⁾	50,000	\$ 0.60 ⁽⁵⁾	May 8, 2024	1.10
Granted November 25, 2019	25,000 ⁽²⁾	25,000	\$ 0.57 ⁽⁶⁾	November 23, 2024	1.65
Granted, January 8, 2020	450,000 ⁽¹⁾	450,000	\$ 0.52 ⁽⁷⁾	January 7, 2025	1.68
Granted, March 17, 2023	300,000 ⁽²⁾	300,000	\$ 1.20 ⁽⁹⁾	March 28, 2028	4.97
Total	900,000	900,000			2.69

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

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

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

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

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

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

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

(9) The exercise price is \$1.64 CAD.

TRANSACTIONS WITH RELATED PARTIES

AmCap Mortgage Ltd., a related customer (by common Director) accounted for \$612,554 (March 31, 2022 - \$2,984,054) of revenue to the Company. Discontinued operations accounts for \$2,162,527 of the revenue related to AmCap Mortgage Ltd. as March 31, 2022. As at March 31, 2022, \$420,056 (December 31, 2021 – \$151,305) is included in accounts receivable on the condensed interim consolidated statements of financial position.

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

The Company incurred \$102,630 in management fees and associated payroll for the three months ended March 31, 2022 (March 31, 2022 - \$280,473) to key members of management. These fees are included in payroll, management

and corporate services. At March 31, 2023 and 2022, all amounts had been paid.

DISCONTINUED OPERATIONS

Starrex International Ltd. reached an agreement to divest substantially all the related assets of Property Interlink, LLC, an appraisal management company, and Reliable Valuation Service, LLC, a staff appraisal company, effective September 30, 2022. The transaction closed on November 7, 2022. These amounts have been classified as discontinued operations.

As a result, the operating results of Property Interlink, LLC and Reliable Valuation Service, LLC for the periods ended March 31, 2023 and 2022 have been classified as net income from continued operations in the consolidated statements of income (loss) and comprehensive income (loss).

The purchase price paid by the purchaser to the Company for Property Interlink, LLC and Reliable Valuation Service, LLC comprised 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 of 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. As at March 31, 2023, the purchase price escrowed funds of \$300,000 were paid in full.

RISKS AND UNCERTAINTIES

There are certain risks and uncertainties inherent in the activities of the Company, including the following:

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. At March 31, 2023, and December 31, 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.

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 for the period March 31, 2023 or 2022.

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. At March 31, 2023, the Company had cash of \$5,430,838 (December 31, 2022 - \$7,856,519) available to settle current liabilities of \$7,032,770 (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 risks on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at March 31, 2023, 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.

	March 31, 2023	December 31, 2022
Accounts receivable	-	27,380
Accounts payable and accrued liabilities	-	(31,268)
Total	-	(3,888)

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.

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.

FINANCIAL INFORMATION CONTROLS AND PROCEDURES

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 2021 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 quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.