

# Real Matters Inc.

## Condensed Consolidated Statements of Financial Position

March 31, 2023 and September 30, 2022 (unaudited - stated in thousands of United States ("U.S.") dollars)

	March 31, 2023	September 30, 2022
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	\$ 41,832	\$ 46,142
Trade and other receivables	11,722	19,831
Income taxes recoverable	3,410	1,126
Prepaid expenses	2,904	2,634
	<b>59,868</b>	<b>69,733</b>
NON-CURRENT		
INTANGIBLES	4,511	4,992
GOODWILL	43,181	43,181
PROPERTY AND EQUIPMENT	5,888	6,964
OTHER ASSETS (Note 10)	268	-
DEFERRED TAX ASSETS	15,199	12,134
	<b>69,047</b>	<b>67,271</b>
<b>TOTAL ASSETS</b>	<b>\$ 128,915</b>	<b>\$ 137,004</b>
<b>LIABILITIES</b>		
CURRENT		
Trade payables	\$ 10,434	\$ 11,869
Accrued charges	3,630	4,269
Lease liabilities (Note 8)	1,660	1,548
	<b>15,724</b>	<b>17,686</b>
NON-CURRENT		
OTHER LIABILITIES (Note 9)	164	-
LEASE LIABILITIES (Note 8)	3,557	4,312
	<b>3,721</b>	<b>4,312</b>
<b>TOTAL LIABILITIES</b>	<b>19,445</b>	<b>21,998</b>
<b>EQUITY</b>		
NON-CONTROLLING INTERESTS	-	115
SHAREHOLDERS' EQUITY (Note 4)		
Common shares	227,343	227,285
Restricted shares	(311)	(311)
Contributed surplus	14,216	13,647
Accumulated deficit	(121,955)	(114,777)
Accumulated other comprehensive loss	(9,823)	(10,953)
	<b>109,470</b>	<b>114,891</b>
<b>TOTAL EQUITY</b>	<b>109,470</b>	<b>115,006</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 128,915</b>	<b>\$ 137,004</b>

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

# Real Matters Inc.

## Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars except share and net income or loss per share amounts)

	Three months ended		Six months ended	
	2023	2022	2023	2022
REVENUES (Note 11)	\$ 37,610	\$ 94,981	\$ 75,775	\$ 202,738
TRANSACTION COSTS	27,680	70,803	56,054	149,810
OPERATING EXPENSES (Note 6)	11,936	22,305	25,136	45,444
AMORTIZATION	996	1,150	2,041	2,332
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	236	-	236
OTHER NON-OPERATING COSTS	-	20	-	66
RESTRUCTURING EXPENSES	325	-	1,674	-
INTEREST EXPENSE	79	72	131	147
INTEREST INCOME	(165)	(15)	(276)	(30)
NET FOREIGN EXCHANGE LOSS	111	1,311	1,111	1,813
GAIN ON FAIR VALUE OF DERIVATIVES (Note 10)	(281)	-	(268)	-
GAIN ON FAIR VALUE OF WARRANTS (Note 8)	-	(91)	-	(249)
(LOSS) INCOME BEFORE INCOME TAX (RECOVERY) EXPENSE	(3,071)	(810)	(9,828)	3,169
INCOME TAX (RECOVERY) EXPENSE				
Current	267	140	407	637
Deferred	(758)	(441)	(3,036)	405
TOTAL INCOME TAX (RECOVERY) EXPENSE	(491)	(301)	(2,629)	1,042
NET (LOSS) INCOME	(2,580)	(509)	(7,199)	2,127
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to net income or loss:				
Foreign currency translation adjustment	131	1,288	1,130	1,741
COMPREHENSIVE (LOSS) INCOME	\$ (2,449)	\$ 779	\$ (6,069)	\$ 3,868
NET (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (2,580)	\$ (545)	\$ (7,176)	\$ 2,125
NET (LOSS) INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ -	\$ 36	\$ (23)	\$ 2
COMPREHENSIVE (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (2,449)	\$ 743	\$ (6,046)	\$ 3,866
COMPREHENSIVE (LOSS) INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ -	\$ 36	\$ (23)	\$ 2
Net (loss) income per weighted average share, basic (Note 5)	\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ 0.03
Net (loss) income per weighted average share, diluted (Note 5)	\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ 0.03
Weighted average number of shares outstanding (thousands), basic (Note 5)	72,707	78,319	72,700	78,491
Weighted average number of shares outstanding (thousands), diluted (Note 5)	72,707	78,878	72,700	79,050

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

# Real Matters Inc.

## Condensed Consolidated Statements of Cash Flows

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars)

	Three months ended		Six months ended	
	2023	2022	2023	2022
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING</b>				
<b>OPERATING</b>				
Net (loss) income	\$ (2,580)	\$ (509)	\$ (7,199)	2,127
Items not affecting cash				
Stock-based compensation (Note 9)	325	635	793	941
Amortization of intangibles	365	346	722	692
Amortization of property and equipment	631	804	1,319	1,640
Loss on disposal of property and equipment	-	236	-	236
Interest expense	79	72	131	147
Gain on fair value of derivatives (Note 10)	(281)	-	(268)	-
Gain on fair value of warrants (Note 8)	-	(91)	-	(249)
Income tax (recovery) expense	(491)	(301)	(2,629)	1,042
Unrealized foreign exchange loss on internal financing arrangements	66	1,128	1,006	1,520
Changes in non-cash working capital items (Note 7)	(648)	5,177	5,713	21,718
Interest paid	(79)	(72)	(131)	(147)
Income taxes paid	(213)	(382)	(2,713)	(3,850)
Cash (utilized in) generated from operating activities	<b>(2,826)</b>	7,043	<b>(3,256)</b>	25,817
<b>INVESTING</b>				
Intangible asset additions	(128)	-	(239)	-
Property and equipment additions	(83)	(74)	(236)	(266)
Payments received from sublease	68	22	135	22
Cash utilized in investing activities	<b>(143)</b>	(52)	<b>(340)</b>	(244)
<b>FINANCING</b>				
Proceeds from lease liabilities (Note 8)	-	-	146	13
Repayment of lease liabilities (Note 8)	(369)	(434)	(792)	(858)
Proceeds from the exercise of stock options	54	92	54	108
Restricted shares purchased and held in trust (Note 9)	-	(516)	-	(516)
Purchase of common shares and related costs (Note 4)	-	(1,502)	(11)	(6,589)
Dividends paid to non-controlling interests	-	-	(139)	-
Cash utilized in financing activities	<b>(315)</b>	(2,360)	<b>(742)</b>	(7,842)
Effect of foreign currency translation on cash and cash equivalents	-	54	28	79
NET CASH (OUTFLOW) INFLOW	<b>(3,284)</b>	4,685	<b>(4,310)</b>	17,810
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD OR YEAR	<b>45,116</b>	73,338	<b>46,142</b>	60,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	<b>\$ 41,832</b>	\$ 78,023	<b>\$ 41,832</b>	\$ 78,023
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Cash and cash equivalents are comprised of:				
Cash	\$ 17,085	\$ 34,853	\$ 17,085	\$ 34,853
Cash equivalents	24,747	43,170	24,747	43,170
	<b>\$ 41,832</b>	<b>\$ 78,023</b>	<b>\$ 41,832</b>	<b>\$ 78,023</b>

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

# Real Matters Inc.

## Condensed Consolidated Statements of Equity

For the three months ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars)

	Non-controlling interests	Common shares	Restricted shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total equity
<b>Balance at December 31, 2022</b>	\$ (9)	\$ 227,276	\$ (311)	\$ 14,065	\$ (119,375)	\$ (9,954)	\$ 111,692
Net loss					(2,580)		(2,580)
Common shares issued on the exercise of stock options		67		(13)			54
Stock-based compensation				173			173
Purchase of subsidiary shares from non-controlling interests	9			(9)			-
Foreign currency translation adjustment						131	131
<b>Balance at March 31, 2023</b>	\$ -	\$ 227,343	\$ (311)	\$ 14,216	\$ (121,955)	\$ (9,823)	\$ 109,470

	Non-controlling interests	Common shares	Restricted shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total equity
Balance at December 31, 2021	\$ 74	\$ 244,429	\$ -	\$ 12,507	\$ (94,396)	\$ (4,502)	\$ 158,112
Net income (loss)	36				(545)		(509)
Common shares issued on the exercise of stock options		121		(29)			92
Common shares issued on the exercise of warrants		170					170
Stock-based compensation				635			635
Restricted shares purchased and held in trust (Note 9)			(311)		(205)		(516)
Purchase of common shares and related costs (Note 4)		(1,032)			(470)		(1,502)
Foreign currency translation adjustment						1,288	1,288
<b>Balance at March 31, 2022</b>	\$ 110	\$ 243,688	\$ (311)	\$ 13,113	\$ (95,616)	\$ (3,214)	\$ 157,770

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

# Real Matters Inc.

## Condensed Consolidated Statements of Equity

For the six months ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars)

	Non- controlling interests	Common shares	Restricted shares	Contributed surplus	Accumu- lated deficit	Accumu- lated other comprehen- sive loss	Total equity
<b>Balance at September 30, 2022</b>	\$ 115	\$ 227,285	\$ (311)	\$ 13,647	\$ (114,777)	\$ (10,953)	\$ 115,006
Net loss	(23)				(7,176)		(7,199)
Dividends paid to non-controlling interests	(139)						(139)
Common shares issued on the exercise of stock options		67		(13)			54
Stock-based compensation				629			629
Purchase of common shares and related costs (Note 4)		(9)			(2)		(11)
Purchase of subsidiary shares from non-controlling interests	9			(9)			-
Dissolution of partially owned subsidiary	38			(38)			-
Foreign currency translation adjustment						1,130	1,130
<b>Balance at March 31, 2023</b>	\$ -	\$ 227,343	\$ (311)	\$ 14,216	\$ (121,955)	\$ (9,823)	\$ 109,470

	Non- controlling interests	Common shares	Restricted shares	Contributed surplus	Accumu- lated deficit	Accumu- lated other comprehen- sive loss	Total equity
Balance at September 30, 2021	\$ 108	\$ 246,377	\$ -	\$ 12,206	\$ (94,185)	\$ (4,955)	\$ 159,551
Net income	2				2,125		2,127
Common shares issued on the exercise of stock options		142		(34)			108
Common shares issued on the exercise of warrants		407					407
Stock-based compensation				941			941
Restricted shares purchased and held in trust (Note 9)			(311)		(205)		(516)
Purchase of common shares and related costs (Note 4)		(3,238)			(3,351)		(6,589)
Foreign currency translation adjustment						1,741	1,741
Balance at March 31, 2022	\$ 110	\$ 243,688	\$ (311)	\$ 13,113	\$ (95,616)	\$ (3,214)	\$ 157,770

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

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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### 1. Nature of Operations

Real Matters Inc. ("Real Matters" or the "Company") is a leading technology and network management company providing appraisal and title services through its Solidifi brand to the mortgage lending industry in the U.S. and appraisal and insurance inspection services to the mortgage lending and insurance industries in Canada through its Solidifi and iv3 brands, respectively.

Real Matters' head office and Canadian operations are located at 50 Minthorn Boulevard, Markham, Ontario and its U.S. subsidiaries operate at the Company's principal offices in Buffalo, New York and Middletown, Rhode Island.

### 2. Basis of Presentation and Significant Accounting Policies

The unaudited interim condensed consolidated financial statements ("financial statements") are presented in thousands of U.S. dollars.

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. These financial statements should be read in conjunction with the annual audited consolidated financial statements, and notes thereto, for the years ended September 30, 2022 and 2021 (the "annual financial statements").

These financial statements were authorized for issue by the board of directors on April 27, 2023.

#### Use of estimates and judgments

The preparation of these financial statements requires management to employ certain accounting estimates and judgments in the application of the Company's accounting policies. The areas involving significant estimate and judgment are set out in Note 2 to the Company's annual financial statements. There have been no notable changes in the methods employed by management to determine significant estimates and judgments since September 30, 2022, except as outlined in Note 3.

#### Summary of Significant Accounting Policies

The significant accounting policies and methodologies applied by the Company in preparing these financial statements are the same as those outlined in the most recent annual financial statements, except as outlined below and in Note 3.

#### *Cash and cash equivalents*

Included in cash is \$1,768 (September 30, 2022 - \$nil) set aside by the Company to demonstrate that it has sufficient liquidity to support the settlement of its total return swap arrangement.

#### *Restricted share units*

Cash-settled restricted share units ("RSUs") issued by the Company are accounted for as liabilities in the condensed consolidated statements of financial position. The Company uses the Black-Scholes-Merton pricing model to estimate the fair value of these RSUs. Compensation expense or recovery represents the change in the estimated fair value of the RSUs at each reporting period multiplied by the percentage of the service period satisfied at the reporting date. Compensation expense or recovery is recorded to the condensed consolidated statement of operations and comprehensive income or loss as operating expenses.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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### *Derivative financial instruments*

The Company has entered into a total return swap to manage the Company's cash flow exposure arising from changes in its share price attributable to cash-settled RSUs. Gains or losses on these derivative financial instruments are measured at their estimated fair value at each reporting date and are recorded to the condensed consolidated statements of operations and comprehensive income or loss. The Company has elected to not apply hedge accounting to this derivative financial instrument.

### **3. Recent Accounting Pronouncements**

#### **Classification of Liabilities as Current or Non-Current**

In January 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" which provided a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendment clarified that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Only rights to defer settlement by at least twelve months, which are in place at the end of the reporting period, affect the classification of a liability. Classification is unaffected by an entities' expectation to exercise its right to defer settlement of a liability.

In October 2022, the IASB issued "Non-current liabilities with covenants (amendments to IAS 1)" which clarified that only covenants that an entity is required to comply with as of the reporting date affect the classification of a liability as current or non-current. Entities are required to disclose that non-current liabilities with covenants could become repayable within twelve months from the reporting date.

These amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2024. The Company expects to apply these amendments to the classification of liabilities on October 1, 2024, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

#### **Narrow-scope amendments to IAS 1 and IAS 8**

In February 2021, the IASB amended IAS 1 – "Presentation of Financial Statements" which requires companies to disclose information attributable to material accounting policies rather than focusing on significant accounting policies. The amendment clarified that accounting policy information is material if its absence inhibits a financial statement user's ability to understand other material information in the financial statements.

Additionally, the IASB amended IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" to improve accounting policy disclosures and assist entities in distinguishing between changes in accounting policies, which are generally applied retrospectively to both historical, current and future transactions, and estimates, which are applied prospectively to future transactions.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023 and earlier application is permitted. The Company expects to apply the amendments on October 1, 2023, and adopting these amendments are not expected to have a significant impact on the Company's financial statements.

#### **Clarifying amendment to account for deferred tax on leases and decommissioning obligations**

In May 2021, the IASB amended IAS 12 – "Income Taxes" to clarify that the initial recognition exemption does not apply to leases and decommissioning obligations. As a result, companies are required to recognize deferred tax on such transactions.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The amendment is effective for annual reporting periods beginning on or after January 1, 2023 and earlier application is permitted. The Company expects to apply the amendment on October 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company's financial statements.

### 4. Shareholders' Equity

Effective June 13, 2022, the Company received approval from the Toronto Stock Exchange ("TSX") to renew its normal course issuer bid ("NCIB") for a one-year period expiring on June 12, 2023. Under the renewed NCIB, the Company is approved to purchase up to 6,000 common shares. Daily purchases made on the TSX, or through alternative Canadian trading systems, are limited to a maximum of 99.319 common shares. The Company is permitted to purchase a block of common shares once a week which can exceed the daily purchase limit subject to certain restrictions, including a limitation that the block cannot be owned by an insider. All shares purchased will be cancelled.

For the three and six months ended March 31, 2023, nil and 3 common shares (2022 – 336 and 1,051) were purchased and cancelled at a total cost of \$nil and \$11 (2022 - \$1,502 and \$6,589). As of April 27, 2023, no additional common shares were purchased, cancelled or settled since March 31, 2023.

### 5. Net (Loss) Income per Weighted Average Share

The following table outlines the components used to calculate basic and diluted net (loss) income per share attributable to common shareholders:

	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Net (loss) income	\$ (2,580)	\$ (509)	\$ (7,199)	\$ 2,127
Net (loss) income attributable to common shareholders	\$ (2,580)	\$ (545)	\$ (7,176)	\$ 2,125
Weighted average number of shares, basic	72,707	78,319	72,700	78,491
Dilutive effect of stock options, equity-settled RSUs and warrants <sup>(1)</sup>	-	559	-	559
Weighted average number of shares, diluted	72,707	78,878	72,700	79,050
Net (loss) income per weighted average share, basic	\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ 0.03
Net (loss) income per weighted average share, diluted	\$ (0.04)	\$ (0.01)	\$ (0.10)	\$ 0.03

Note

(1) Warrants had no dilutive effect on the weighted average number of shares for the three and six months ended March 31, 2023 since all warrants were fully exercised prior to their expiry on May 11, 2022.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 6. Operating Expenses

	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Operating expenses:				
Salaries and benefits	\$ 9,017	\$ 17,947	\$ 18,620	\$ 36,197
Sales and marketing	12	95	310	437
Travel and entertainment	75	57	227	190
Office and computer	1,860	2,743	3,964	5,689
Professional fees	681	786	1,226	1,552
Other	291	677	789	1,379
	\$ 11,936	\$ 22,305	\$ 25,136	\$ 45,444

### 7. Changes in Non-Cash Working Capital Items

The following table outlines changes in non-cash working capital items:

Inflow (outflow)	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Trade and other receivables	\$ (1,777)	\$ 3,379	\$ 7,974	\$ 22,782
Prepaid expenses	(981)	317	(270)	835
Trade payables	1,838	458	(1,435)	(1,909)
Accrued charges	204	955	(639)	(93)
Effect of foreign currency translation adjustments and other non-cash changes	68	68	83	103
	\$ (648)	\$ 5,177	\$ 5,713	\$ 21,718

### 8. Changes in Liabilities Arising from Financing Activities

	Three months ended March 31, 2023						
	Cash flows				Non-cash changes		
	Opening balance - January 1, 2023	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes	Ending balance - March 31, 2023
Lease liabilities	\$ 5,586	-	(369)	-	-	-	\$ 5,217
	Three months ended March 31, 2022						
	Cash flows				Non-cash changes		
	Opening balance - January 1, 2022	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes	Ending balance - March 31, 2022
Lease liabilities	\$ 7,634	-	(434)	-	3	(706)	\$ 6,497
Warrant liabilities	\$ 261	-	-	(91)	-	(170)	\$ -

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

	Six months ended March 31, 2023						
	Cash flows				Non-cash changes		
	Opening balance - October 1, 2022	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes	Ending balance - March 31, 2023
Lease liabilities	\$ 5,860	146	(792)	-	3	-	\$ 5,217

	Six months ended March 31, 2022						
	Cash flows				Non-cash changes		
	Opening balance - October 1, 2021	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes	Ending balance - March 31, 2022
Lease liabilities	\$ 8,043	13	(858)	-	5	(706)	\$ 6,497
Warrant liabilities	\$ 651	-	-	(249)	5	(407)	\$ -

### 9. Stock-Based Compensation

#### Stock options

The Company did not grant any stock options during the six months ended March 31, 2023.

The following table outlines changes to stock options:

	Six months ended March 31			
	2023		2022	
	Number of stock options	Weighted average exercise price, expressed in C\$	Number of stock options	Weighted average exercise price, expressed in C\$
Outstanding balance, beginning of year	4,426	\$ 8.47	4,578	\$ 8.91
Granted, during the period	-	\$ -	335	\$ 6.38
Exercised, during the period	(26)	\$ 2.85	(36)	\$ 3.79
Forfeited, during the period	(353)	\$ 11.15	(62)	\$ 18.43
Outstanding balance, end of period	4,047	\$ 8.27	4,815	\$ 8.64
Stock options exercisable, end of period	3,767	\$ 8.13	4,026	\$ 8.15

The Company recorded stock-based compensation expense attributable to stock options of \$90 and \$176 (2022 - \$221 and \$527) to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three and six months ended March 31, 2023.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The following table summarizes certain information for stock options outstanding as at March 31, 2023:

Exercise price range, expressed in C\$	Number of stock options	Weighted average remaining contractual life, expressed in years	Number of stock options exercisable
\$ 2.21 – \$ 3.17	505	1.63	505
\$ 3.18 – \$ 4.26	543	2.67	543
\$ 4.27 – \$ 5.67	255	2.61	237
\$ 5.68 – \$ 6.25	641	2.11	641
\$ 6.26 – \$ 7.44	479	4.65	307
\$ 7.45 – \$ 11.48	280	3.49	280
\$ 11.49 – \$ 12.89	394	3.70	387
\$ 12.90 – \$ 13.50	604	4.11	604
\$ 13.51 – \$ 31.94	346	4.56	263
	<b>4,047</b>	<b>3.22</b>	<b>3,767</b>

### RSUs

The Company granted the following RSUs during the six months ended March 31, 2023:

Grant date	Plan	Group granted to	Vesting date	Number of RSUs granted	Weighted average fair value, expressed in C\$
December 19, 2022	2022 Equity Plan	Executive officers and certain employees	December 19, 2025	557	\$4.18
December 19, 2022	2017 Equity Plan	Directors	December 19, 2022	95	\$4.10

The following table outlines changes to RSUs:

	Six months ended March 31	
	2023	2022
	Number of RSUs	Number of RSUs
Outstanding balance, beginning of year	182	-
Granted, during the period	652	196
Settled, during the period	-	-
Forfeited, during the period	-	-
Outstanding balance, end of period	<b>834</b>	<b>196</b>
Vested, but not settled, end of period	<b>164</b>	69

At March 31, 2023, 101 common shares were held in trust, in connection with the February 1, 2022 RSU grant, to settle future obligations under the 2022 Equity Plan.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The Company recorded stock-based compensation expense attributable to RSUs of \$235 and \$617 (2022 - \$414 and \$414), including fair value changes in RSUs classified as liabilities, to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three and six months ended March 31, 2023.

The total carrying amount of liabilities for cash-settled RSUs at March 31, 2023 was \$164 (September 30, 2022 - \$nil) and recorded in Other Liabilities.

### 10. Financial Instruments

The following table categorizes the Company's derivative financial assets and liabilities and presents their estimated fair values. Financial instruments are recorded as other assets or other liabilities in the Company's condensed consolidated statements of financial position.

	March 31, 2023	September 30, 2022
<b>Financial assets</b>		
<i>Derivatives not designated in a hedging relationship</i>		
Non-current - other assets - total return swaps	\$ 268	\$ -

The following table outlines the hierarchical measurement categories for the fair value of financial assets or liabilities. At September 30, 2022, there were no financial assets or liabilities measured at fair value on a recurring basis. At March 31, 2023, financial assets or liabilities had the following estimated fair values expressed on a gross basis:

	March 31, 2023			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un- observable inputs (Level 3)	Total
Other assets - total return swap	\$ -	\$ 268	\$ -	\$ 268
	\$ -	\$ 268	\$ -	\$ 268

The hierarchical measurement categories for financial assets and liabilities, recognized at fair value on a recurring basis, are re-assessed at the end of each reporting period.

For the three and six months ended March 31, 2023 and 2022, there were no transfers between levels or changes to the valuation techniques used to estimate fair value.

The estimated fair values of financial instruments are calculated using available market information, and commonly accepted valuation methods. Considerable judgment is required to interpret market information used to develop these estimates. Accordingly, these fair value estimates are not necessarily indicative of the amounts the Company, or counterparties to the instruments, could realize in a current market exchange.

# Real Matters Inc.

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### Total return swaps

The Company's total return swap is recorded at estimated fair value based on quotes received from the financial institution that is counterparty to the agreement. The Company verifies the reasonableness of the quotes by comparing them to share price movements adjusted for interest using a market rate of interest specific to the terms of the underlying contract. The use of different assumptions and or estimation methods could result in differing estimates of fair value, which the Company believes would not be material.

The Company entered into the following total return swap outlined in the table below:

### Total return swaps

Date entered	Notional amount C\$	Share price C\$	Number of units	Effective date	Expiration date
December 2022	\$2,345	\$4.21	557	December 2022	December 2025

When applicable, the Company is subject to credit risk on total return swap agreements. The Company will only enter into agreements with highly rated and experienced counterparties who have successfully demonstrated that they can execute these agreements. The Company's maximum exposure to credit risk is equal to the estimated fair value of total return swaps recorded to other assets on the Company's condensed consolidated statements of financial position. The Company holds no collateral or other credit enhancements as security over these agreements. The Company deems the agreements' credit quality to be high, due to its assessment of the counterparty and no amounts are either past due or impaired. In all instances, the Company's risk management objective is to mitigate its risk exposures to a level consistent with its risk tolerance.

### Estimated fair value

The carrying value of cash and cash equivalents, trade and other receivables, trade payables and accrued charges approximate their fair values due to the relatively short maturities of these instruments.

## 11. Segmented Reporting

The Company conducts its business through three reportable segments: U.S. Appraisal, U.S. Title and Canada. The Company reports segment information based on internal reports used by the Chief Operating Decision Maker ("CODM") to make operating and resource allocation decisions and to assess performance. The CODM is the Chief Executive Officer of the Company.

The U.S. Appraisal segment provides residential mortgage appraisals for purchase, refinance, home equity and default transactions through its Solidifi brand.

The U.S. Title segment serves the title market by providing various title services for refinance, purchase, short sale and real estate owned ("REO") transactions to financial institutions through its Solidifi brand. As an independent title agent, the Company provides services required to close a mortgage transaction, including title search, curative, closing and escrow services and title policy issuance. Diversified title services represent software subscription fees earned from other title insurance agencies and mortgage lenders.

The Canadian segment's primary service offerings include residential mortgage appraisals for purchase, refinance and home equity transactions provided through its Solidifi brand. Additionally, the Company provides insurance inspection services to property and casualty insurers across Canada through its iv3 brand.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The Company excludes corporate costs in the determination of each operating segment's performance. Corporate costs include certain executive and employee costs, legal, finance, internal audit, treasury, investor relations, compliance, human resources, technical and software development, corporate development and other administrative support function costs.

The CODM does not evaluate operating segments using discrete asset information and the Company does not specifically allocate assets to operating segments for internal reporting purposes.

The accounting policies for each operating segment are the same as those described in the basis of presentation and significant accounting policies notes, and applicable policies outlined in the recent accounting pronouncements note, Notes 2 and 3, respectively. The Company evaluates segment performance based on revenues, net of transaction costs.

	Three months ended March 31		Six months ended March 31	
	2023	2022	2023	2022
<b>Revenues</b>				
U.S. Appraisal	\$ 27,996	\$ 70,374	\$ 56,256	\$ 149,709
U.S. Title	2,223	10,775	4,584	26,970
Canada	7,391	13,832	14,935	26,059
	\$ 37,610	\$ 94,981	\$ 75,775	\$ 202,738
<b>Revenues net of transaction costs</b>				
U.S. Appraisal	\$ 7,730	\$ 15,090	\$ 15,354	\$ 31,442
U.S. Title	818	7,230	1,638	17,983
Canada	1,382	1,858	2,729	3,503
	\$ 9,930	\$ 24,178	\$ 19,721	\$ 52,928
<b>Amortization</b>				
U.S. Appraisal	\$ 153	\$ 256	\$ 308	\$ 537
U.S. Title	769	778	1,559	1,546
Canada	-	-	-	-
Corporate	74	116	174	249
	\$ 996	\$ 1,150	\$ 2,041	\$ 2,332
<b>Operating expenses</b>	\$ 11,936	\$ 22,305	\$ 25,136	\$ 45,444
<b>Loss on disposal of property and equipment</b>	\$ -	\$ 236	\$ -	\$ 236
<b>Other non-operating costs</b>	\$ -	\$ 20	\$ -	\$ 66
<b>Restructuring expenses</b>	\$ 325	\$ -	\$ 1,674	\$ -
<b>Interest expense</b>	\$ 79	\$ 72	\$ 131	\$ 147
<b>Interest income</b>	\$ (165)	\$ (15)	\$ (276)	\$ (30)
<b>Net foreign exchange loss</b>	\$ 111	\$ 1,311	\$ 1,111	\$ 1,813
<b>Gain on fair value of derivatives</b>	\$ (281)	\$ -	\$ (268)	\$ -
<b>Gain on fair value of warrants</b>	\$ -	\$ (91)	\$ -	\$ (249)
<b>(Loss) income before income tax (recovery) expense</b>	\$ (3,071)	\$ (810)	\$ (9,828)	\$ 3,169

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2023 and 2022 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

Geographic segmentation of the Company's assets is as follows:

	<b>March 31, 2023</b>			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 4,207	\$ -	\$ 304	\$ 4,511
Goodwill	\$ 43,181	\$ -	\$ -	\$ 43,181
Property and equipment	\$ 5,598	\$ -	\$ 290	\$ 5,888

  

	September 30, 2022			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 4,893	\$ -	\$ 99	\$ 4,992
Goodwill	\$ 43,181	\$ -	\$ -	\$ 43,181
Property and equipment	\$ 6,524	\$ -	\$ 440	\$ 6,964

#### Revenues by service type

The Company's revenue is derived from contracts with customers. The disaggregation of revenue by service type is reconciled to the Company's segment revenue:

	<b>Three months ended March 31</b>		<b>Six months ended March 31</b>	
	<b>2023</b>	2022	<b>2023</b>	2022
Appraisal	\$ 34,633	\$ 83,429	\$ 69,563	\$ 174,072
Title - mortgage origination	1,997	10,374	4,129	26,038
Title - diversified	226	401	455	932
Insurance inspection	754	777	1,628	1,696
	<b>\$ 37,610</b>	<b>\$ 94,981</b>	<b>\$ 75,775</b>	<b>\$ 202,738</b>

## 12. Seasonality

Residential mortgage origination volumes in North America are a key driver of the Company's financial performance and are influenced by cyclical trends and seasonality. Cyclical trends include changes in interest rates, refinancing rates, the capacity of lenders to underwrite mortgages, house prices, housing stock, demand for housing, the availability of funds for mortgage loans, credit requirements, regulatory changes, household indebtedness, employment levels and the general health of the North American economy. The Company's transaction-based revenues for appraisal services in our U.S. Appraisal and Canadian segments are also impacted by the seasonal nature of the residential mortgage industry, which typically sees home buyers purchase more homes in the Company's third and fourth fiscal quarters, representing the three months ending June 30 and September 30, respectively. The results reported in these financial statements should not be regarded as an indication of the results expected for the entire year.