

# Real Matters Inc.

## Condensed Consolidated Statements of Financial Position

March 31, 2021 and September 30, 2020 (unaudited - stated in thousands of United States ("U.S.") dollars)

	March 31, 2021	September 30, 2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 129,158	\$ 129,156
Trade and other receivables	34,728	30,661
Prepaid expenses	1,638	1,791
	<b>165,524</b>	<b>161,608</b>
<b>NON-CURRENT</b>		
INTANGIBLES	7,063	7,927
GOODWILL	60,477	60,477
PROPERTY AND EQUIPMENT	12,468	11,352
OTHER ASSETS	5	34
DEFERRED TAX ASSETS	9,423	8,326
	<b>89,436</b>	<b>88,116</b>
<b>TOTAL ASSETS</b>	<b>\$ 254,960</b>	<b>\$ 249,724</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade payables	\$ 22,713	\$ 19,477
Accrued charges	3,919	5,216
Income taxes payable	4,303	1,384
Lease liabilities (Note 10)	1,660	1,303
	<b>32,595</b>	<b>27,380</b>
<b>NON-CURRENT</b>		
WARRANT LIABILITIES (Notes 5, 10, and 12)	1,967	3,527
LEASE LIABILITIES (Note 10)	7,180	6,601
	<b>9,147</b>	<b>10,128</b>
<b>TOTAL LIABILITIES</b>	<b>41,742</b>	<b>37,508</b>
<b>EQUITY</b>		
NON-CONTROLLING INTERESTS (Note 4)	1,242	3,214
<b>SHAREHOLDERS' EQUITY (Note 6)</b>		
Common shares	258,103	262,653
Contributed surplus (Note 4)	11,025	7,712
Accumulated deficit	(54,548)	(51,536)
Accumulated other comprehensive loss	(2,604)	(9,827)
	<b>211,976</b>	<b>209,002</b>
<b>TOTAL EQUITY</b>	<b>213,218</b>	<b>212,216</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 254,960</b>	<b>\$ 249,724</b>

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

# Real Matters Inc.

## Condensed Consolidated Statements of Operations and Comprehensive Income

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars except share and net income or loss per share amounts)

	Three months ended		Six months ended	
	2021	2020	2021	2020
REVENUES (Note 13)	\$ 128,828	\$ 109,643	\$ 249,126	\$ 213,424
TRANSACTION COSTS	82,170	73,703	158,442	142,214
OPERATING EXPENSES (Note 8)	28,206	21,977	55,715	43,532
AMORTIZATION	1,264	1,111	2,502	2,200
INTEREST EXPENSE	128	129	253	257
INTEREST INCOME	(37)	(237)	(101)	(460)
NET FOREIGN EXCHANGE LOSS (GAIN)	1,515	(12,419)	7,476	(9,286)
(GAIN) LOSS ON FAIR VALUE OF WARRANTS (Notes 5 and 10)	(746)	721	(1,736)	1,627
INCOME BEFORE INCOME TAX EXPENSE	16,328	24,658	26,575	33,340
INCOME TAX EXPENSE (RECOVERY)				
Current	3,604	14	8,809	893
Deferred	1,050	5,992	(997)	8,662
TOTAL INCOME TAX EXPENSE	4,654	6,006	7,812	9,555
NET INCOME	11,674	18,652	18,763	23,785
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified to net income or loss:				
Foreign currency translation adjustment	1,557	(11,963)	7,223	(8,934)
COMPREHENSIVE INCOME	\$ 13,231	\$ 6,689	\$ 25,986	\$ 14,851
NET INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 11,538	\$ 18,519	\$ 18,654	\$ 23,530
NET INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ 136	\$ 133	\$ 109	\$ 255
COMPREHENSIVE INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 13,095	\$ 6,556	\$ 25,877	\$ 14,596
COMPREHENSIVE INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ 136	\$ 133	\$ 109	\$ 255
Net income per weighted average share, basic (Note 7)	\$ 0.14	\$ 0.22	\$ 0.22	\$ 0.28
Net income per weighted average share, diluted (Note 7)	\$ 0.13	\$ 0.21	\$ 0.21	\$ 0.27
Weighted average number of shares outstanding (thousands), basic (Note 7)	84,072	84,535	84,488	84,731
Weighted average number of shares outstanding (thousands), diluted (Note 7)	86,589	88,249	87,005	88,445

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

# Real Matters Inc.

## Condensed Consolidated Statements of Cash Flows

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars)

	Three months ended		Six months ended	
	2021	2020	2021	2020
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING</b>				
<b>OPERATING</b>				
Net income	\$ 11,674	\$ 18,652	\$ 18,763	\$ 23,785
Items not affecting cash				
Stock-based compensation (Note 11)	561	644	1,462	1,477
Amortization of intangibles	432	432	864	864
Amortization of property and equipment	832	679	1,638	1,336
Interest expense	128	129	253	257
(Gain) loss on fair value of warrants (Notes 5 and 10)	(746)	721	(1,736)	1,627
Income tax expense	4,654	6,006	7,812	9,555
Unrealized foreign exchange loss (gain) on internal financing arrangements	1,008	(7,666)	4,657	(5,615)
Changes in non-cash working capital items (Note 9)	2,203	4,324	(1,936)	5,575
Interest paid	(114)	(106)	(224)	(210)
Income taxes paid	(2,284)	(360)	(5,909)	(935)
Cash generated from operating activities	<b>18,348</b>	<b>23,455</b>	<b>25,644</b>	<b>37,716</b>
<b>INVESTING</b>				
Purchase of subsidiary shares from non-controlling interests (Note 4)	(53)	-	(53)	-
Purchase of property and equipment	(389)	(741)	(2,692)	(1,178)
Cash utilized in investing activities	<b>(442)</b>	<b>(741)</b>	<b>(2,745)</b>	<b>(1,178)</b>
<b>FINANCING</b>				
Proceeds from lease liabilities (Note 10)	-	-	1,614	189
Repayment of lease liabilities (Note 10)	(402)	(336)	(718)	(667)
Proceeds from the exercise of stock options, net of issue costs	368	237	536	1,144
Purchase of common shares and related costs (Note 6)	(7,970)	(9,755)	(26,919)	(15,612)
Dividends paid to non-controlling interests	-	(115)	(10)	(649)
Cash utilized in financing activities	<b>(8,004)</b>	<b>(9,969)</b>	<b>(25,497)</b>	<b>(15,595)</b>
Effect of foreign currency translation on cash and cash equivalents	629	(4,484)	2,600	(3,493)
NET CASH INFLOW	<b>10,531</b>	<b>8,261</b>	<b>2</b>	<b>17,450</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD OR YEAR	<b>118,627</b>	<b>80,869</b>	<b>129,156</b>	<b>71,680</b>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<b>\$ 129,158</b>	<b>\$ 89,130</b>	<b>\$ 129,158</b>	<b>\$ 89,130</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Cash and cash equivalents are comprised of:				
Cash	\$ 74,025	\$ 39,985	\$ 74,025	\$ 39,985
Cash equivalents	55,133	49,145	55,133	49,145
	<b>\$ 129,158</b>	<b>\$ 89,130</b>	<b>\$ 129,158</b>	<b>\$ 89,130</b>

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

## Real Matters Inc.

### Condensed Consolidated Statements of Equity

For the three months ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars)

	Non- controlling interests	Common shares	Contributed surplus	Accumulated deficit	Accumulated other comprehen- sive loss	Total equity
<b>Balance at December 31, 2020</b>	\$ 3,177	\$ 259,439	\$ 8,565	\$ (59,939)	\$ (4,161)	\$ 207,081
Net income	136			11,538		11,674
Common shares issued on the exercise of stock options		487	(119)			368
Stock-based compensation (Note 11)			561			561
Purchase of common shares and related costs (Note 6)		(1,823)		(6,147)		(7,970)
Purchase of subsidiary shares from non-controlling interests (Note 4)	(2,071)		2,018			(53)
Foreign currency translation adjustment					1,557	1,557
<b>Balance at March 31, 2021</b>	\$ 1,242	\$ 258,103	\$ 11,025	\$ (54,548)	\$ (2,604)	\$ 213,218

	Non- controlling interests	Common shares	Contributed surplus	Accumulated deficit	Accumulated other comprehen- sive loss	Total equity
Balance at December 31, 2019	\$ 3,566	\$ 255,783	\$ 6,987	\$ (80,424)	\$ (5,677)	\$ 180,235
Net income	133			18,519		18,652
Dividends paid to non-controlling interests	(115)					(115)
Common shares issued on the exercise of stock options		300	(63)			237
Stock-based compensation (Note 11)			644			644
Purchase of common shares and related costs (Note 6)		(2,734)		(7,021)		(9,755)
Foreign currency translation adjustment					(11,963)	(11,963)
Balance at March 31, 2020	\$ 3,584	\$ 253,349	\$ 7,568	\$ (68,926)	\$ (17,640)	\$ 177,935

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

# Real Matters Inc.

## Condensed Consolidated Statements of Equity

For the six months ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars)

	Non- controlling interests	Common shares	Contributed surplus	Accumulated deficit	Accumulated other comprehen- sive loss	Total equity
<b>Balance at September 30, 2020</b>	\$ 3,214	\$ 262,653	\$ 7,712	\$ (51,536)	\$ (9,827)	\$ 212,216
Net income	109			18,654		18,763
Dividends paid to non-controlling interests	(10)					(10)
Common shares issued on exercise of stock options		703	(167)			536
Stock-based compensation (Note 11)			1,462			1,462
Purchase of common shares and related costs (Note 6)		(5,253)		(21,666)		(26,919)
Purchase of subsidiary shares from non-controlling interests (Note 4)	(2,071)		2,018			(53)
Foreign currency translation adjustment					7,223	7,223
<b>Balance at March 31, 2021</b>	\$ 1,242	\$ 258,103	\$ 11,025	\$ (54,548)	\$ (2,604)	\$ 213,218

	Non- controlling interests	Common shares	Contributed surplus	Accumulated deficit	Accumulated other comprehen- sive loss	Total equity
Balance at September 30, 2019	\$ 3,978	\$ 253,842	\$ 6,393	\$ (81,346)	\$ (8,706)	\$ 174,161
Change in accounting policy				81		81
Net income	255			23,530		23,785
Dividends paid to non-controlling interests	(649)					(649)
Common shares issued on exercise of stock options		1,446	(302)			1,144
Common shares issued on exercise of warrants (Note 5)		2,482				2,482
Stock-based compensation (Note 11)			1,477			1,477
Purchase of common shares and related costs (Note 6)		(4,421)		(11,191)		(15,612)
Foreign currency translation adjustment					(8,934)	(8,934)
Balance at March 31, 2020	\$ 3,584	\$ 253,349	\$ 7,568	\$ (68,926)	\$ (17,640)	\$ 177,935

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

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (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 services through its Solidifi brand to the mortgage lending industry in the U.S. and Canada, title and closing services through its Solidifi brand to the mortgage lending industry in the U.S. and insurance inspection services through its iv3 brand to the insurance industry in Canada.

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, Middletown, Rhode Island and Denver, Colorado.

### 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, 2020 and 2019 (the "annual financial statements").

These financial statements were authorized for issue by the board of directors on April 27, 2021.

#### 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 applied to determine significant estimates and judgments since September 30, 2020, 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 in Note 3.

### 3. Recent Accounting Pronouncements

#### Business Combinations

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)" to address difficulties that arise when an entity determines whether it has acquired a business or group of assets. The amendment clarified that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the creation of outputs. The definition of a business and outputs have been narrowed to focus on goods and services provided to customers and removed the reference to cost reductions. The amendments were effective for annual periods beginning on or after January 1, 2020 and earlier application was permitted. The adoption of this amendment had no impact on the Company's financial statements.

#### Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued "Definition of Material (Amendments to IAS 1 and IAS 8)" which clarified the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments were effective for annual reporting periods beginning on or after January 1, 2020 and earlier application was permitted. The adoption of this new definition of material had no impact on the Company's financial statements.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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### **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. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2023. The Company will apply the amendment to the classification of liabilities on October 1, 2023, and adopting this amendment is not expected to have a significant impact on the Company’s financial statements.

### **Narrow-scope amendments and Annual Improvements to IFRS Standards 2018-2020**

In May 2020, the IASB issued a series of narrow-scope amendments that impact the following standards: IAS 16 – “Property, Plant and Equipment – Proceeds before Intended Use” (“IAS 16”), IAS 37 – “Onerous Contracts – Costs of Fulfilling a Contract” (“IAS 37”), IFRS 3 – “Reference to the Conceptual Framework” (“IFRS 3”), and annual improvements to IFRS 1, IFRS 9, IFRS 16, and IAS 41.

The amendment to IAS 37 clarified the meaning of “costs to fulfil a contract” which could result in the recognition of more onerous contract provisions. IFRS 3 was updated to refer to the 2018 Conceptual Framework for Financial Reporting when determining what constitutes an asset or a liability in a business combination. Without this update, an entity may have recognized certain liabilities in a business combination that it would not recognize under IAS 37. IAS 16 and the annual improvements are not applicable to the Company.

These amendments are effective January 1, 2022 and earlier application is permitted. The Company will apply the amendments on October 1, 2022, and adopting these amendments are 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 clarifies 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” which aims to improve accounting policy disclosures and help entities distinguish 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 January 1, 2023 and earlier application is permitted. The Company will 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.

## **4. Acquisitions**

### *Linear Title Holdings, LLC (“LTH”)*

Effective March 1, 2021, the Company purchased the remaining forty-nine percent interest in LTH, a controlled subsidiary, for \$53. The difference between consideration paid and the carrying amount of non-controlling interests, \$2,018, was recorded to contributed surplus.

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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#### 5. Warrant Liabilities

Company-issued special warrants were automatically converted into common share purchase warrants (“warrants”) on completion of the Company’s initial public offering (“IPO”) (together with other satisfied events). All warrants that remain outstanding are exercisable and expire on May 11, 2022, which is five years from the date of the IPO. Warrant liabilities convert to common shares of the Company when exercised and the associated non-cash liability is reclassified to common shares upon exercise. The non-cash liability attributable to warrants that expire unexercised are recorded to the condensed consolidated statements of operations and comprehensive income. There is no circumstance that requires the Company to pay cash upon exercise or expiry of the warrants.

During the six months ended March 31, 2021, no warrants were exercised. During the six months ended March 31, 2020, 291 warrants were exercised, resulting in the issuance of 261 common shares having a fair value of \$2,482 determined using the Black-Scholes-Merton option pricing model. The fair value of the warrants exercised were transferred from warrant liabilities to common shares. The Company also recorded a \$343 loss to the condensed consolidated statement of operations and comprehensive income representing the difference between the fair value of the warrants recorded at the previous reporting date and their fair value on the date of exercise.

At March 31, 2021, there were 191 (September 30, 2020 – 191) warrants outstanding. All warrants have an exercise price of 1.38 Canadian dollars (“C\$”) (September 30, 2020 – C\$1.38) representing a total liability of \$1,967 at March 31, 2021 (September 30, 2020 - \$3,527).

For the six months ended March 31, 2021, the gain on the fair value of warrants was measured using the Black-Scholes-Merton option pricing model and included the following assumptions: volatility of 42.8% (2020 – 26.3%), a risk-free interest rate of 0.15% (2020 – 0.38%), a dividend yield of nil% (2020 – nil%) and an expected life of 7 months (2020 – 13 months).

#### 6. Shareholders’ Equity

Effective June 11, 2020, the Company received approval to renew its normal course issuer bid for a one year period expiring on June 10, 2021. Under the renewed normal course issuer bid, the Company received approval to purchase up to 4,000 common shares. Daily purchases on the Toronto Stock Exchange, or made through alternative Canadian trading systems, are limited to a maximum of 135.858 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, 2021, 594 and 1,758 common shares (2020 – 977 and 1,575) were purchased and cancelled at a total cost of \$7,970 and \$26,919 (2020 - \$9,755 and \$15,612). As of April 27, 2021, 224 additional common shares were purchased and cancelled or settled.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 7. Net Income per Weighted Average Share

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

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Net income	\$ 11,674	\$ 18,652	\$ 18,763	\$ 23,785
Net income attributable to common shareholders	\$ 11,538	\$ 18,519	\$ 18,654	\$ 23,530
Weighted average number of shares, basic	84,072	84,535	84,488	84,731
Dilutive effect of stock options and warrants	2,517	3,714	2,517	3,714
Weighted average number of shares, diluted	86,589	88,249	87,005	88,445
Net income per weighted average share, basic	\$ 0.14	\$ 0.22	\$ 0.22	\$ 0.28
Net income per weighted average share, diluted	\$ 0.13	\$ 0.21	\$ 0.21	\$ 0.27

### 8. Operating Expenses

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Operating expenses:				
Salaries and benefits	\$ 22,431	\$ 16,953	\$ 44,381	\$ 33,495
Sales and marketing	99	190	223	511
Travel and entertainment	32	487	57	1,040
Office and computer	3,847	2,718	7,556	5,271
Professional fees	701	803	1,524	1,622
Other	1,096	826	1,974	1,593
	\$ 28,206	\$ 21,977	\$ 55,715	\$ 43,532

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

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

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Inflow (outflow)				
Trade and other receivables	\$ (3,521)	\$ (4,624)	\$ (4,067)	\$ 1,396
Prepaid expenses	287	320	153	559
Trade payables	4,218	7,631	3,236	3,400
Accrued charges	1,271	1,129	(1,297)	324
Effect of foreign currency translation adjustments and other non-cash changes <sup>(1)</sup>	(52)	(132)	39	(104)
	\$ 2,203	\$ 4,324	\$ (1,936)	\$ 5,575

Note

<sup>(1)</sup> Unrealized foreign exchange gain or losses on internal financing arrangements are presented separately on the Condensed Consolidated Statement of Cash Flows. Comparative period amounts have been reclassified to conform to the current period presentation.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 10. Changes in Liabilities Arising From Financing Activities

	Three months ended March 31, 2021							Ending balance - March 31, 2021
	Cash flows				Non-cash changes			
	Opening balance - January 1, 2021	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes		
Lease liabilities	\$ 9,234	-	(402)	-	8	-	\$ 8,840	
Warrant liabilities	\$ 2,681	-	-	(746)	32	-	\$ 1,967	

  

	Three months ended March 31, 2020							Ending balance - March 31, 2020
	Cash flows				Non-cash changes			
	Opening balance - January 1, 2020	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes		
Lease liabilities	\$ 8,957	-	(336)	-	(77)	-	\$ 8,544	
Warrant liabilities	\$ 4,918	-	-	721	(452)	-	\$ 5,187	

  

	Six months ended March 31, 2021							Ending balance - March 31, 2021
	Cash flows				Non-cash changes			
	Opening balance - October 1, 2020	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes		
Lease liabilities	\$ 7,904	1,614	(718)	-	40	-	\$ 8,840	
Warrant liabilities	\$ 3,527	-	-	(1,736)	176	-	\$ 1,967	

  

	Six months ended March 31, 2020							Ending balance - March 31, 2020
	Cash flows				Non-cash changes			
	Opening balance - October 1, 2019	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes		
Lease liabilities <sup>(1)</sup>	\$ 10	189	(667)	-	(59)	9,071	\$ 8,544	
Leasehold inducements <sup>(1)</sup>	\$ 439	-	-	-	-	(439)	\$ -	
Warrant liabilities	\$ 6,394	-	-	1,627	(352)	(2,482)	\$ 5,187	

Note

<sup>(1)</sup> Other non-cash changes reflect the initial adoption and subsequent accounting for lease liabilities under IFRS 16.

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

#### 11. Stock-Based Compensation

The Company granted the following stock options during the six months ended March 31, 2021:

Grant date	Group granted to	Vesting period (from the date of grant)	Expiry date (from the date of grant)	Aggregate number of stock options granted
November 24, 2020	Executive officers and certain employees	Equally on the first, second and third anniversary date	7 <sup>th</sup> anniversary date	361
November 24, 2020	Directors	Immediately	7 <sup>th</sup> anniversary date	82

The following table outlines changes to stock options:

	2021		Six months ended March 31 2020	
	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	5,112	\$ 7.50	6,060	\$ 6.03
Granted, during the period	443	\$ 19.30	708	\$ 12.78
Exercised, during the period	(137)	\$ 5.03	(381)	\$ 3.99
Forfeited, during the period	(21)	\$ 16.62	(189)	\$ 9.83
Expired, during the period	(38)	\$ 2.28	-	\$ -
Outstanding balance, end of period	5,359	\$ 8.54	6,198	\$ 6.81
Options exercisable, end of period	3,915	\$ 7.62	3,996	\$ 6.06

The Company recorded stock option expense of \$561 and \$1,462 (2020 - \$644 and \$1,477) to operating expenses in the condensed consolidated statements of operations and comprehensive income for the three and six months ended March 31, 2021.

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (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, 2021:

Exercise price range, expressed in C\$	Number of stock options	Weighted average remaining contractual life, expressed in years	Number of stock options exercisable
\$ 1.84 – \$ 3.17	715	3.51	715
\$ 3.18 – \$ 4.26	798	4.67	567
\$ 4.27 – \$ 5.67	352	4.41	293
\$ 5.68 – \$ 6.14	927	4.11	673
\$ 6.15 – \$ 10.05	474	5.34	291
\$ 10.06 – \$ 12.73	659	5.66	372
\$ 12.74 – \$ 13.50	863	6.11	863
\$ 13.51 – \$ 17.31	101	5.85	59
\$ 17.32 – \$ 31.94	470	6.62	82
	<b>5,359</b>	<b>5.01</b>	<b>3,915</b>

## 12. Financial Instruments

The following tables outline the hierarchical measurement categories for the fair value of financial liabilities. At March 31, 2021 and September 30, 2020, financial liabilities measured on a recurring basis had the following estimated fair values expressed on a gross basis:

	March 31, 2021			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Warrant liabilities	\$ -	\$ (1,967)	\$ -	\$ (1,967)
	\$ -	\$ (1,967)	\$ -	\$ (1,967)

	September 30, 2020			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Warrant liabilities	\$ -	\$ (3,527)	\$ -	\$ (3,527)
	\$ -	\$ (3,527)	\$ -	\$ (3,527)

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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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, 2021 and year ended September 30, 2020, there were no transfers between levels or changes to the valuation techniques.

The fair value of warrant liabilities are calculated using the Black-Scholes-Merton option pricing model which is subject to considerable judgment and estimate. Accordingly, the fair value estimate is not necessarily indicative of the amount the Company, or a counter-party to the instrument, could realize in a current market exchange. The use of differing assumptions, and or estimation methods, could affect fair value.

#### *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-term maturities of these instruments.

### 13. 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 and closing 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, closing and escrow services and title policy issuance. Diversified title services include capital markets services and providing access to software platforms for other title insurance agencies and mortgage lenders for a subscription fee.

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

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, 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 note, 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.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
<b>Revenues</b>				
U.S. Appraisal	\$ 76,336	\$ 71,320	\$ 145,891	\$ 138,699
U.S. Title	40,050	30,808	79,987	59,531
Canada	12,442	7,515	23,248	15,194
	\$ 128,828	\$ 109,643	\$ 249,126	\$ 213,424
<b>Revenues net of transaction costs</b>				
U.S. Appraisal	\$ 16,628	\$ 17,386	\$ 32,321	\$ 32,862
U.S. Title	28,278	17,227	54,958	35,700
Canada	1,752	1,327	3,405	2,648
	\$ 46,658	\$ 35,940	\$ 90,684	\$ 71,210
<b>Amortization</b>				
U.S. Appraisal	\$ 373	\$ 367	\$ 766	\$ 734
U.S. Title	736	604	1,428	1,192
Canada	-	-	-	-
Corporate	155	140	308	274
	\$ 1,264	\$ 1,111	\$ 2,502	\$ 2,200
<b>Operating expenses</b>	\$ 28,206	\$ 21,977	\$ 55,715	\$ 43,532
<b>Interest expense</b>	\$ 128	\$ 129	\$ 253	\$ 257
<b>Interest income</b>	\$ (37)	\$ (237)	\$ (101)	\$ (460)
<b>Net foreign exchange loss (gain)</b>	\$ 1,515	\$ (12,419)	\$ 7,476	\$ (9,286)
<b>(Gain) loss on fair value of warrants</b>	\$ (746)	\$ 721	\$ (1,736)	\$ 1,627
<b>Income before income tax expense</b>	\$ 16,328	\$ 24,658	\$ 26,575	\$ 33,340

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

	March 31, 2021			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 7,063	\$ -	\$ -	\$ 7,063
Goodwill	\$ 60,477	\$ -	\$ -	\$ 60,477
Property and equipment	\$ 11,549	\$ -	\$ 919	\$ 12,468
	\$ 79,099	\$ -	\$ 919	\$ 80,018
	September 30, 2020			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 7,927	\$ -	\$ -	\$ 7,927
Goodwill	\$ 60,477	\$ -	\$ -	\$ 60,477
Property and equipment	\$ 10,230	\$ -	\$ 1,122	\$ 11,352
	\$ 78,634	\$ -	\$ 1,122	\$ 79,756

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

#### Revenues by service type

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

	Three months ended March 31		Six months ended March 31	
	2021	2020	2021	2020
Appraisal	\$ 88,122	\$ 77,929	\$ 167,637	\$ 152,031
Title and closing - mortgage origination	38,021	23,643	75,552	45,827
Title and closing - diversified	2,029	7,165	4,435	13,704
Insurance inspection	656	906	1,502	1,862
	\$ 128,828	\$ 109,643	\$ 249,126	\$ 213,424

#### 14. 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 in our U.S. appraisal segment 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.