

# Independent Auditor's Report

To the Shareholders and the Board of Directors of Real Matters Inc.

## Opinion

We have audited the consolidated financial statements of Real Matters Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of operations and comprehensive (loss) income, equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Craig Irwin.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
November 15, 2022

# Real Matters Inc.

## Consolidated Statements of Financial Position

September 30, 2022 and 2021 (stated in thousands of United States ("U.S.") dollars)

	2022	2021
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents	\$ 46,142	\$ 60,213
Trade and other receivables (Note 19)	19,831	46,021
Income taxes recoverable	1,126	271
Prepaid expenses	2,634	2,585
	<b>69,733</b>	109,090
NON-CURRENT		
INTANGIBLES (Note 4)	4,992	6,228
GOODWILL (Note 5)	43,181	60,477
PROPERTY AND EQUIPMENT (Note 6)	6,964	11,087
DEFERRED TAX ASSETS (Note 20)	12,134	7,458
	<b>67,271</b>	85,250
<b>TOTAL ASSETS</b>	<b>\$ 137,004</b>	<b>\$ 194,340</b>
<b>LIABILITIES</b>		
CURRENT		
Trade payables	\$ 11,869	\$ 21,802
Accrued charges	4,269	4,293
Lease liabilities (Note 7)	1,548	1,715
	<b>17,686</b>	27,810
NON-CURRENT		
WARRANT LIABILITIES (Note 9)	-	651
LEASE LIABILITIES (Note 7)	4,312	6,328
	<b>4,312</b>	6,979
<b>TOTAL LIABILITIES</b>	<b>21,998</b>	<b>34,789</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 18)</b>		
<b>EQUITY</b>		
NON-CONTROLLING INTERESTS	115	108
SHAREHOLDERS' EQUITY (Note 10)		
Common shares	227,285	246,377
Restricted shares (Note 16)	(311)	-
Contributed surplus	13,647	12,206
Accumulated deficit	(114,777)	(94,185)
Accumulated other comprehensive loss	(10,953)	(4,955)
	<b>114,891</b>	159,443
<b>TOTAL EQUITY</b>	<b>115,006</b>	159,551
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 137,004</b>	<b>\$ 194,340</b>

Approved by:

**Jason Smith** (signed) – Executive Chairman

**Garry M. Foster** (signed) – Audit Committee Chair

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

# Real Matters Inc.

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

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars except outstanding share and net income or loss per share amounts)

	2022	2021
REVENUES (Note 22)	\$ 339,642	\$ 504,107
TRANSACTION COSTS	254,203	339,815
OPERATING EXPENSES (Note 12)	79,595	107,499
AMORTIZATION	4,530	5,045
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	603	-
OTHER NON-OPERATING COSTS	66	-
RESTRUCTURING EXPENSES (Note 13)	1,542	76
IMPAIRMENT OF GOODWILL (Note 5)	17,296	-
INTEREST EXPENSE (Note 8)	264	430
INTEREST INCOME	(134)	(151)
NET FOREIGN EXCHANGE (GAIN) LOSS	(5,725)	7,359
GAIN ON FAIR VALUE OF WARRANTS (Notes 9 and 15)	(249)	(2,084)
(LOSS) INCOME BEFORE INCOME TAX (RECOVERY) EXPENSE	(12,349)	46,118
INCOME TAX (RECOVERY) EXPENSE (Note 20)		
Current	1,761	12,099
Deferred	(4,845)	939
TOTAL INCOME TAX (RECOVERY) EXPENSE	(3,084)	13,038
NET (LOSS) INCOME	(9,265)	33,080
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that will be reclassified to net income or loss:		
Foreign currency translation adjustment	(5,998)	4,872
COMPREHENSIVE (LOSS) INCOME	\$ (15,263)	\$ 37,952
NET (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (9,272)	\$ 32,992
NET INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ 7	\$ 88
COMPREHENSIVE (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (15,270)	\$ 37,864
COMPREHENSIVE INCOME - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ 7	\$ 88
Net (loss) income per weighted average share, basic (Note 11)	\$ (0.12)	\$ 0.40
Net (loss) income per weighted average share, diluted (Note 11)	\$ (0.12)	\$ 0.39
Weighted average number of shares outstanding (thousands), basic (Note 11)	76,514	82,772
Weighted average number of shares outstanding (thousands), diluted (Note 11)	76,953	84,196

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

# Real Matters Inc.

## Consolidated Statements of Cash Flows

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars)

	2022	2021
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING</b>		
<b>OPERATING</b>		
Net (loss) income	\$ (9,265)	\$ 33,080
Items not affecting cash		
Stock-based compensation (Note 16)	1,535	2,408
Amortization of intangibles (Note 4)	1,389	1,699
Amortization of property and equipment (Note 6)	3,141	3,346
Loss on disposal of property and equipment (Note 6)	603	-
Impairment of goodwill (Note 5)	17,296	-
Interest expense (Note 8)	264	430
Gain on fair value of warrants (Notes 9 and 15)	(249)	(2,084)
Income tax (recovery) expense	(3,084)	13,038
Unrealized foreign exchange (gain) loss on internal financing arrangements	(5,925)	3,704
Changes in non-cash working capital items (Note 14)	16,847	(16,438)
Interest paid	(264)	(395)
Income taxes paid	(4,721)	(13,767)
Cash generated from operating activities	<b>17,567</b>	<b>25,021</b>
<b>INVESTING</b>		
Purchase of subsidiary shares from non-controlling interests	-	(53)
Partial disposal of a subsidiary and capital contribution from non-controlling interests	-	200
Intangible asset additions (Note 4)	(160)	-
Purchase of property and equipment (Note 6)	(1,015)	(3,025)
Payments received from sublease	95	-
Cash utilized in investing activities	<b>(1,080)</b>	<b>(2,878)</b>
<b>FINANCING</b>		
Proceeds from lease liabilities (Note 15)	285	1,645
Repayment of lease liabilities (Note 15)	(1,735)	(1,542)
Proceeds from the exercise of stock options, net of issue costs	283	3,787
Restricted shares purchased and held in trust (Notes 10 and 16)	(516)	-
Purchase of common shares and related costs (Note 10)	(28,741)	(97,795)
Dividends paid to non-controlling interests	-	(145)
Cash utilized in financing activities	<b>(30,424)</b>	<b>(94,050)</b>
Effect of foreign currency translation on cash and cash equivalents	(134)	2,964
<b>NET CASH OUTFLOW</b>	<b>(14,071)</b>	<b>(68,943)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>60,213</b>	<b>129,156</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 46,142</b>	<b>\$ 60,213</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash and cash equivalents are comprised of:		
Cash	\$ 22,326	\$ 35,847
Cash equivalents	23,816	24,366
	<b>\$ 46,142</b>	<b>\$ 60,213</b>

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

# Real Matters Inc.

## Consolidated Statements of Equity

For the years ended September 30, 2022 and 2021 (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 September 30, 2021</b>	\$ 108	\$ 246,377	\$ -	\$ 12,206	\$ (94,185)	\$ (4,955)	\$ 159,551
Prior period adjustment (Note 24)					(2,250)		(2,250)
Net income (loss)	7				(9,272)		(9,265)
Common shares issued on exercise of stock options (Note 10)		377		(94)			283
Common shares issued on exercise of warrants (Note 9)		407					407
Stock-based compensation (Note 16)				1,535			1,535
Restricted shares purchased and held in trust (Notes 10 and 16)			(311)		(205)		(516)
Purchase of common shares and related costs (Note 10)		(19,876)			(8,865)		(28,741)
Foreign currency translation adjustment						(5,998)	(5,998)
<b>Balance at September 30, 2022</b>	\$ 115	\$ 227,285	\$ (311)	\$ 13,647	\$ (114,777)	\$ (10,953)	\$ 115,006

	Non-controlling interests	Common shares	Restricted shares	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total equity
Balance at September 30, 2020	\$ 3,214	\$ 262,653	\$ -	\$ 7,712	\$ (51,536)	\$ (9,827)	\$ 212,216
Net income	88				32,992		33,080
Dividends paid to non-controlling interests	(145)						(145)
Common shares issued on exercise of stock options (Note 10)		4,897		(1,110)			3,787
Common shares issued on exercise of warrants (Note 9)		981					981
Stock-based compensation (Note 16)				2,408			2,408
Purchase of common shares and related costs (Note 10)		(22,154)			(75,641)		(97,795)
Non-controlling interests, acquired	125			75			200
Purchase of subsidiary shares from non-controlling interests	(2,071)			2,018			(53)
Dissolution of partially owned subsidiary	(1,103)			1,103			-
Foreign currency translation adjustment						4,872	4,872
<b>Balance at September 30, 2021</b>	\$ 108	\$ 246,377	\$ -	\$ 12,206	\$ (94,185)	\$ (4,955)	\$ 159,551

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

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (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

#### Statement of compliance

The consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the board of directors on November 15, 2022.

#### Basis of presentation

The financial statements are presented in thousands of U.S. dollars and have been prepared applying the historical cost method, except for certain financial instruments which are measured at fair value. Historical cost reflects the fair value of consideration exchanged for an asset on the date it was acquired or owed for a liability on the date it was assumed.

The significant accounting policies and methodologies outlined below have been applied consistently and for all periods presented in these financial statements.

#### Basis of consolidation

These financial statements include the accounts of the Company and subsidiaries controlled by the Company. The Company is deemed to control a subsidiary when it is exposed to, or has the right to, variable returns from its involvement with an investee and it has the ability to direct the activities of the investee that significantly affects the investee's returns through its power over the subsidiary. Where the Company's interest in a subsidiary is less than one hundred percent, the Company recognizes a non-controlling interest in the investee. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

The carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of subsequent changes in the capital of the company and changes in ownership interests, if any. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of controlled entities are included in these financial statements from the date control is effective until the date control ceases.

#### Functional and presentation currency

The Company's functional currency is the Canadian dollar. Accordingly, its financial position, results of operations, cash flows and equity are consolidated in Canadian dollars.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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The Company translates its U.S. subsidiaries' assets and liabilities to Canadian dollars from their functional currency of U.S. dollars using the exchange rate in effect at the date the statement of financial position is presented. Revenues and expenses from the Company's U.S. subsidiaries are translated to Canadian dollars at the average monthly exchange rate in effect during the year. The resulting translation adjustments are included in other comprehensive income or loss.

The Company has elected to report its financial results in U.S. dollars. Accordingly, the Company's consolidated statements of financial position are translated from Canadian to U.S. dollars at the foreign currency exchange rate in effect at the date the statement of financial position is presented. Certain transactions affecting shareholders' equity and the statements of cash flows are translated at their historical foreign currency exchange rates or at the foreign currency exchange in effect at the time of the transaction, respectively. The consolidated statements of operations and comprehensive income or loss and consolidated statements of cash flows, excluding certain transactions, are translated to U.S. dollars applying the average foreign currency exchange rate in effect during the reporting period and the resulting translation adjustments are included in other comprehensive income or loss. Reporting the Company's financial results in U.S. dollars reduces the impact foreign currency fluctuations have on its reported amounts because the Company's operations are larger in the U.S. than they are in Canada. The Company remains a legally domiciled Canadian entity and its functional currency is the Canadian dollar. Translating the Company's U.S. financial position, results of operations and cash flows into Canadian dollars, the Company's functional currency, and re-translating these amounts to U.S. dollars, the Company's reporting currency, has no translation impact on the Company's financial statements. Accordingly, U.S. results retain their original values when expressed in the Company's reporting currency.

Monetary assets and liabilities denominated in foreign currencies, including certain long-term financing arrangements between Canadian and U.S. entities within the consolidated group of companies that are not considered part of the net investment in a foreign operation and that are different from the Company's functional currency, are translated to the Company's functional currency applying the foreign exchange rate in effect at the date the statement of financial position is presented. Realized and unrealized foreign currency differences are recognized in the consolidated statement of operations and comprehensive income or loss.

Exchange differences on monetary assets and liabilities receivable or payable with a foreign operation, for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in a foreign operation, are recognized initially in other comprehensive income or loss and presented within equity. The cumulative amount of the resulting exchange differences recorded to other comprehensive income or loss, are reclassified from equity to the consolidated statements of operations and comprehensive income or loss on settlement.

### **Cash and cash equivalents**

Cash and cash equivalents include short-term investments in highly liquid marketable securities, which have a term to maturity of three months or less.

Included in cash is \$2,028 (2021 - \$2,022) set aside by the Company to demonstrate that it has sufficient liquidity to support a county title license for the conduct of business in the state of California.

The Company's residential real estate title services requires it to hold cash in escrow accounts that it does not own. Accordingly, cash held in escrow, including escrow receivables and escrow liabilities, are not recorded as assets or liabilities on the Company's consolidated statements of financial position. All cash held in escrow is deposited in non-interest bearing bank accounts.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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### Intangibles

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangibles are tested for impairment when a triggering event occurs. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible asset and recorded to the consolidated statements of operations and comprehensive income or loss. The estimated useful life and amortization method are reviewed at least annually, with any change in estimate recognized prospectively. Estimated useful lives for intangibles having finite lives are as follows:

Internally generated intangible assets	2.5 years
Customer relationships	3 years
Brand names	3 years
Technology	3 years
Licenses	10 years

Internally generated intangible assets are capitalized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset is expected to make it available for use or sale;
- The Company intends to complete and use or sell the intangible asset;
- The Company has the ability to use or sell the intangible asset;
- How the Company expects the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists; and
- The Company has the ability to reliably measure the expenditures attributable to its development.

The amount recognized as an internally generated intangible asset represents the sum of expenditures from the date when the intangible asset first meets the recognition criteria listed above to the date the asset is available for use. During the period of development, the asset is tested for impairment at least annually. Where no internally generated intangible asset is recognized, expenditures are recognized in the consolidated statements of operations and comprehensive income or loss in the period in which the cost is incurred.

When the asset is available for use, the cost model is applied which requires the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets represents computer software development costs associated with the development and enhancement of the Company's platforms and other supporting infrastructure. Costs associated with the maintenance of the Company's platforms are expensed as incurred.

### Goodwill

Goodwill represents the difference between consideration and the fair value of the net identifiable assets acquired in a business combination. Goodwill is recorded at cost less accumulated impairment losses, if any. Goodwill is not amortized and is allocated to each of the Company's cash-generating units ("CGU" or "CGUs") or group of CGUs that benefit from the acquisition, irrespective of whether other assets or liabilities acquired are assigned to those units. For the purpose of goodwill impairment testing the Company's CGUs represent its operating segments which is consistent with the level goodwill is monitored.

Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. If the recoverable amount of the CGU, representing the higher of its fair value less cost to sell ("FVLCS") and its value in use, is less than its carrying amount, any resulting impairment loss is first allocated to goodwill and subsequently to other assets of the CGU on a pro rata basis. Any goodwill impairment loss is

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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recorded to the consolidated statements of operations and comprehensive income or loss in the period of impairment. Previously recognized impairment losses for goodwill are not reversed in subsequent periods.

Goodwill is tested for impairment annually on June 30<sup>th</sup>. At September 30, 2022, the Company re-performed the goodwill impairment test for its U.S. Title CGU due to the existence of impairment indicators and concluded that the carrying amount of the U.S. Title CGU was in excess of its recoverable amount. Accordingly, a goodwill impairment loss was recorded in the fourth quarter of 2022. See Note 5.

Upon disposal of a CGU or group of CGUs, the portion of goodwill attributable to the CGU is included in the determination of profit or loss recorded to the consolidated statements of operations and comprehensive income or loss.

### Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The initial cost includes the purchase price and any expenditures directly attributable to ready the asset for use. Purchased software that is integral to the function of certain equipment is capitalized. When components of property and equipment have different useful lives, those components are accounted for as individual items of property and equipment and amortized separately.

Gains and losses on the disposal of property and equipment represents the difference between the proceeds received, if any, on disposal of the asset and its carrying amount. Any resulting gain or loss is recognized in the consolidated statements of operations and comprehensive income or loss.

Amortization is recognized using the straight-line method for each component of property and equipment. The Company reviews the amortization methods, useful lives and residual values at each reporting date. The expected useful lives of property and equipment are set forth below:

Computer equipment	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of the remaining term of the lease and expected useful life
Right-of-use assets	Lesser of the lease term and the useful life of the underlying asset

### Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and recognizes a right-of-use asset and lease liability, as applicable.

Right-of-use assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any, and are adjusted for any re-measurement of lease liabilities. The cost of a right-of-use asset reflects the amount recognized on the initial measurement of the lease obligation plus any lease payments made on or before the commencement date of the lease, including any initial direct costs and related restoration costs. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset includes the exercise of a purchase option, the related right-of-use asset is amortized over the useful life of the underlying asset. Amortization of the right-of-use asset begins at the commencement date of the lease.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index, rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably expected to exercise that option, and payments for penalties attributable to terminating the lease if the lessee is reasonably expected to terminate the lease prior to the end of the lease

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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term. When a contract contains both lease and non-lease components, the Company allocates the consideration in the contract to the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component. Relative stand-alone prices are determined by maximizing the use of observable supplier prices for a similar asset and/or service. The lease liability is expressed net of lease incentives receivable and lease payments are discounted using the interest rate implicit in the lease or, if the implicit rate cannot be determined, the lessee's incremental borrowing rate.

The period over which lease payments are discounted is equal to the lease term, which includes renewal options that the Company is reasonably expected to exercise. Payments associated with short-term leases, representing leases with a term of 12 months or less, and leases for low-value assets, are recognized as an expense on a straight-line basis to operating expenses in the consolidated statements of operations and comprehensive income or loss. Variable lease payments that are not dependent on an index or rate, or are subject to a fair market value renewal, are expensed as incurred and recognized to operating expenses in the consolidated statements of operations and comprehensive income or loss.

Each lease payment included in the lease liability is apportioned between the repayment of the liability and the cost to finance. The finance cost is recorded to interest expense in the consolidated statements of operations and comprehensive income or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the obligation. The carrying amount of lease liabilities is re-measured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease term, if there is a change in the estimated amount payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option.

Lease payments related to the principal portion of lease liabilities are classified as cash flows from financing activities while lease payments related to the interest portion are classified as cash flows from operating activities, within interest paid.

### *Subleases*

When the Company subleases a leased asset to a third-party lessee, the Company becomes an intermediate lessor. As an intermediate lessor, the Company is required to assess the sublease classification by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. In this assessment, the Company considers several factors including if the term of the sublease covers a major portion of the term of the head lease.

On the date the Company makes the leased asset available for use to the lessee, the Company classifies the lease as either an operating or finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the leased asset to the lessee. Interest income derived from a finance lease is recognized on a systematic basis to produce a constant periodic rate of return on the net investment in the leased asset.

### **Income taxes**

Income tax expense or recovery is comprised of current and deferred income tax which is recognized in the consolidated statements of operations and comprehensive income or loss, except for income taxes attributable to a business combination or equity transaction.

Current income tax represents the expected amounts payable or receivable as a result of taxable income or loss generated by the Company in the period applying enacted or substantively enacted tax rates, at the reporting date. Current income taxes may include prior period adjustments to income taxes payable or receivable.

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Deferred income tax is recognized applying the liability method, which recognizes the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their equivalent tax amounts. Deferred income tax is not recognized on the initial recording of assets or liabilities for financial reporting purposes that is not a business combination and that impacts neither accounting income nor taxable income or loss. Deferred income tax assets and liabilities are measured applying tax rates that have been enacted or substantively enacted at the reporting date and are expected to be in effect when the temporary differences reverse.

Deferred income tax assets are recognized when it is probable that future taxable income will be available to realize the benefit of the deferred tax asset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized. The related tax benefit is subsequently increased only when the probability of future taxable income is present. Deferred income tax liabilities are not recognized on temporary differences that arise from goodwill that is not deductible for tax purposes.

Deferred income tax assets and liabilities are offset when the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities when there is an intention to either settle current income tax liabilities on a net basis or realize the tax assets and settle tax liabilities simultaneously in a future period.

### **Warrant liabilities**

At the time of issuance, warrants are classified as either a financial liability or equity instrument in accordance with the substance of the contractual arrangement. Warrants that obligate the Company to deliver a variable number of shares whose value equals a fixed amount or an amount based on changes in an underlying variable, are not an equity instrument, and are therefore classified as a financial liability. Subsequent changes to the conversion option that fixes the number of shares and price of shares issuable, are not considered by the Company when the contractual terms of the warrant do not change and there has been no change in the circumstances of the Company. Warrants classified as liabilities in the consolidated statements of financial position are re-measured at their estimated fair value at each reporting date. Any change to the fair value of warrants is recognized in the consolidated statements of operations and comprehensive income or loss.

### **Revenues**

The Company evaluates whether the contracts it enters meet the definition of a contract with a customer at contract inception and recognizes revenue when control of the goods or services has been transferred. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for transferring goods or services to a customer. When applicable, the Company excludes amounts collected on behalf of third-parties from revenue when it does not control the goods or services before they are transferred to a customer, since it is acting as an agent rather than a principal to the transaction. The Company has determined that no significant financing component exists between the date a promised good or service is transferred to a customer and the date the customer pays for that good or service, when the period is one year or less.

The Company records revenue at a point in time, unless otherwise indicated below.

#### *Residential Mortgage Appraisals*

The Company provides residential mortgage appraisals through its technology-based platform (the "Platform") and network of independent qualified field professionals. Revenue is derived from transaction fees earned from mortgage lenders on residential appraisal products such as complete home appraisals, a broker price opinion, property condition reports and desktop appraisals. The Company recognizes revenue when the appraisal report is delivered to its client.

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### *Title*

The Company provides title services to residential and commercial clients which include title search procedures for title insurance policies, curative, escrow and other closing services. Title revenues, which are recorded exclusive of amounts remitted to third-party insurance underwriters and certain work performed by attorneys in attorney work share states, are recorded when a transaction closes. Recording services are recognized as revenue when the documents are submitted to the county for recording.

### *Search Services*

The Company provides current owner, tax and commercial title search and property reports to other title insurance companies or property investment companies. Search revenues are recorded when the report is delivered to the client.

### *Insurance Inspection*

The Company provides insurance inspection services to property and casualty insurers through the Platform. The Company records revenue when the insurance inspection report is delivered to the client.

### *Software Services*

The Company provides three hosted software solutions. Contracts for these services are generally term-based ranging from one to three years. On-going service fee revenues are recognized as services are provided. Any usage-based fees and minimum transaction fees are recognized monthly as services are provided over the term of the arrangement.

### *Contract Costs*

Incremental costs to obtain customer contracts include commissions that are incurred in connection with obtaining the contract. As a practical expedient, the Company recognizes the incremental costs to obtain a contract as an immediate expense if the amortization period of the asset is one year or less.

The Company manages and reviews its operations by geographical location and service type. For detailed information about the Company's reportable segments and disaggregated revenue, see Note 22.

### **Transaction costs**

Transaction costs represent expenses directly attributable to a revenue transaction, including appraisal costs, various processing fees, including credit card fees, connectivity fees, insurance inspection costs, closing agent costs and external abstractor and quality review costs.

### **Business combinations**

Business combinations are accounted for applying the acquisition method of accounting, where the fair value of consideration is allocated to the fair value of assets acquired and liabilities assumed at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses if it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts recognized at the date of acquisition. Following its reassessment, if the Company concludes that the fair value of net assets acquired exceeds the aggregate consideration transferred, the Company will record a gain to the consolidated statements of operations and comprehensive income or loss.

The excess of consideration over the fair value of the identifiable net assets acquired is recorded as goodwill and allocated to the Company's CGUs. For each business combination that includes a non-controlling interest, the Company, at its election, measures the non-controlling interest's investment in the acquiree at fair value or at the proportionate share of the acquiree's net identifiable assets acquired.

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Any contingent consideration is recognized at fair value on the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with changes in fair value recorded to the consolidated statements of operations and comprehensive income or loss. Contingent consideration classified to equity is not re-measured and settlement is accounted for within equity.

The fair value measurement and recognition of net assets acquired may require adjustment when information is absent and fair value allocations are presented on an estimated or preliminary basis. Adjustments to estimated or preliminary amounts, reflecting new information obtained about facts and circumstances that existed at the date of acquisition and occurring not later than one year from the date of acquisition, are recorded in the period the adjustment is determined.

Transaction costs incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed in the consolidated statements of operations and comprehensive income or loss as incurred.

### Provisions

Provisions are recognized when it is probable that the Company is required to settle an obligation (legal or constructive), as a result of a past event, and the obligation can be reliably estimated. The provision represents the Company's best estimate of the amounts required to settle the obligation at the end of the reporting period. When a provision is determined applying a measure of cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the impact of the time value of money is material). When some or all of the amounts required to settle a provision are expected to be recoverable from a third-party, a receivable is recognized when it is virtually certain that reimbursement is receivable and the expected reimbursement can be reliably measured.

### Financial instruments

Financial assets and financial liabilities, including derivatives and embedded derivatives in certain contracts, are recognized in the consolidated statements of financial position when the Company becomes party to the contractual provisions of a financial instrument or non-financial derivative contract.

#### *Classification and Measurement*

The Company classifies and measures financial assets based on their contractual cash flow characteristics and the Company's business model for the financial asset. A financial asset is classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified and measured at amortized cost or FVOCI are classified and measured at FVPL, which includes all derivative financial assets. On initial recognition, a financial asset that meets the measurement requirements of amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified and measured at amortized cost are subsequently measured applying the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses, are recognized in the consolidated statements of operations and comprehensive income or loss. Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the

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financial asset expire, or if the Company transfers control or substantially all the risks and rewards of ownership to another party. Any resulting gain or loss on derecognition is recorded to the consolidated statements of operations and comprehensive income or loss in the period of derecognition.

Financial assets classified and measured at FVPL are subsequently measured at fair value at each reporting date. Net gains and losses, including any interest or dividend income, are recorded to the consolidated statements of operations and comprehensive income or loss.

Financial liabilities are classified and measured as either amortized cost or FVPL. Derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated, and the hybrid financial instrument is assessed for classification as a whole. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recorded to the consolidated statements of operations and comprehensive income or loss in the period of derecognition.

Below is a summary showing the measurement categories of the Company's financial assets and liabilities.

Financial assets and liabilities	Measurement Category
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade payables	Amortized cost
Accrued charges	Amortized cost
Warrant liabilities	FVPL

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Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVPL, are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVPL are expensed to the consolidated statements of operations and comprehensive income or loss.

### *Costs of issuing debt and equity*

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost applying the effective interest method. When long-term debt amounts are nil, but amounts are still available to be drawn, costs of issuing debt are reclassified to other assets in the consolidated statements of financial position. The cost of issuing equity is reflected as a direct charge to common shares.

### *Derivative financial instruments*

The Company may enter into foreign currency exchange agreements from time-to-time as part of its strategy to manage foreign currency exposure. The Company does not hold or issue derivative financial instruments for trading purposes. Derivatives, including derivatives that are embedded in financial or non-financial contracts where the host contract is not a financial asset, are measured at their estimated fair values. Gains or losses on financial instruments measured at their estimated fair values are recorded to the consolidated statements of operations and comprehensive income or loss in the periods in which they arise, with the exception of gains and losses on certain financial instruments that are part of a designated hedging relationship.

### *Fair value*

Fair value represents the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making such measurements. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence

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applied to measure fair value. Financial assets or financial liabilities are categorized within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs are applied to measure fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted market prices in markets that are not active, or model derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability
- Level 3 – unobservable inputs that are supported by little or no market activity

### Impairment

#### *Financial assets*

The impairment of financial assets is based on an expected credit loss ("ECL") model. The ECL model applies to financial assets measured at amortized cost and requires the Company to consider factors that include past events, current conditions and forecasts of future economic conditions.

Loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company elects to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company determines ECLs on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECLs adjusted for estimated changes to credit risks and forecasts of future economic conditions.

Impairment losses are recorded to operating expenses in the consolidated statement of operations and comprehensive income or loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is immediately reversed in the consolidated statements of operations and comprehensive income or loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

#### *Non-financial assets*

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment exist. If any such indicators exist, the asset's recoverable amount is estimated.

For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into CGUs, representing the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of operations and comprehensive income or loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its FVLCS and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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Impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

### Stock-based payments

The Company grants equity-settled stock options under its stock-based compensation plan. The fair value of stock options at the grant date is estimated using the Black-Scholes-Merton option pricing model and is subject to the satisfaction of certain vesting conditions. Uncertain vesting conditions do not result in compensation expense being recognized until they are satisfied or deemed to be probable of satisfaction. Stock-based compensation expense is recorded to the consolidated statements of operations and comprehensive income or loss over the vesting period based on the estimated number of stock options expected to vest with a corresponding increase to shareholders' equity. Management's estimate of the number of awards expected to vest occurs at the time of grant and at each reporting date up to the vesting date. The estimated forfeiture rate is adjusted for actual forfeitures in the period they occur.

### Restricted share units

Restricted share units ("RSUs") issued by the Company that are substantially settled in the Company's common shares are accounted for as equity-settled awards.

The fair value of an RSU is measured at the grant date price of the Company's common shares and compensation expense is recorded to the consolidated statements of operations and comprehensive income or loss over the vesting period with a corresponding increase to shareholders' equity. Management estimates the forfeiture rate for RSUs at the time of grant and at each reporting date up to the vesting date. The estimated forfeiture rate is adjusted to actual forfeitures in the period they occur.

In fiscal 2022, the Company established a trust to hold common shares purchased in the open market for certain Canadian participants until each RSU vests and the award is settled. The Company is the sponsor of the trust and has assigned a trustee to carry out the trusts' custodial duties. The trust is considered a structured entity which is consolidated in the Company's financial statements. The cost of common shares purchased in the open market are recorded at book value to restricted shares in the consolidated statements of equity with any resulting premium or deficit recorded to accumulated deficit until the common shares are issued to settle the RSU obligation.

### Net income or loss per share

Basic net income or loss per share is calculated by dividing net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted net income or loss per share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of shares outstanding adjusted for all potentially dilutive equity instruments, comprising stock options, equity-settled RSUs and warrants.

### Operating segments

An operating segment is a component of the Company that engages in business activities. An operating segment may earn revenues and incur expenses, including revenues and expenses incurred by virtue of activities with any of the Company's other operations. An operating segment has discrete financial information available which is regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to assess performance or make resource allocation decisions.

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### **Significant judgments, estimates and assumptions**

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and the accompanying underlying assumptions are reviewed at least annually or more frequently as required. Revisions to accounting estimates are recognized in the period of revision, which may impact future reporting periods. Areas that are subject to judgment and estimate include revenue recognition, the identification of CGUs, impairment of goodwill and non-financial assets, the determination of fair values in connection with business combinations, internally generated intangible assets, the determination of fair value for warrants and financial instruments, stock-based payments, including RSUs, the useful lives of property and equipment and intangible assets, lease terms, estimated incremental borrowing rates used to determine the carrying amount of right-of-use assets and lease liabilities, the likelihood of realizing deferred income tax assets, provisions and contingencies.

### **Critical accounting judgments and estimates**

Management believes the following accounting policies are subject to the most critical judgments and estimates and could have the most significant impact on the amounts recognized in these financial statements.

#### *(a) Revenues – satisfaction of performance obligations*

The satisfaction of performance obligations requires management to make judgments when control of the underlying good or service transfers to the customer. Determining when a performance obligation is satisfied affects the timing of revenue recognition. Management considers indicators of the transfer of control, including when the customer is obligated to pay and whether the transfer of significant risks and rewards has occurred, which represents the time when the customer has acquired the ability to direct and use the good or service and obtained substantively all of the benefits.

#### *(b) Revenues – agent versus principal*

The Company uses judgment in its assessment of whether it is acting as an agent or principal to a transaction. When the Company is not primarily responsible for fulfilling the obligation to provide a specified good or service and does not have discretion to establish price, it is acting as an agent to the transaction. The Company is acting as a principal when it controls the deliverables prior to delivery to the customer and establishes pricing.

#### *(c) Identification of CGUs*

The Company has allocated its tangible assets, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of cash inflows derived from other assets. The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgment.

#### *(d) Impairment of goodwill and non-financial assets*

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether impairment indicators exist. The recoverable amount attributable to a CGU or non-financial asset is the higher of FVLCS or value in use. The Company's determination of a CGU or non-financial assets recoverable amount applying FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the CGU or non-financial asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounting estimated future cash flows for the CGU or non-financial asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or non-financial asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information.

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The estimated recoverable amount for a CGU or non-financial asset requires the use of significant estimates, including assembling appropriate market information, disposal costs, future cash flows, growth rates, and terminal and discount rates.

### *(e) Business combinations*

Applying the acquisition method to business combinations requires an entity to measure each identifiable asset and liability at fair value.

The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recorded to goodwill. The purchase price allocation involves judgment to identify the intangible assets acquired, establish fair value estimates for the assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any assumption or estimate used to identify the intangible assets acquired, or to determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

The Company makes estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, and the continuing evaluation of the recoverability of goodwill and intangible assets on an ongoing basis. These estimates are based on a number of factors, including historical experience, market conditions, information gained on review of the target entities' operation and information obtained from the management of the acquired companies. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, discount rates, anticipated revenue growth from acquired customers, acquired technology, and the expected use of the acquired assets. These factors are also considered in determining the useful life of intangible assets acquired. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense.

Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates or actual results.

### *(f) Stock-based payments*

The Company uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock-based compensation which requires the use of several input variables. These input variables are subject to estimate and changes in these inputs can materially affect the estimated fair value of stock-based compensation. The fair value reported may not represent the transaction value of stock-based compensation at the date of exercise.

### *(g) Amortization of property and equipment and intangible assets*

Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of amortization. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Where an item of property and equipment can be subdivided into its major components, and these components are assessed as having different useful lives, the components are accounted for as separate items of property and equipment. The application of this policy requires judgment to determine the asset's useful life and to identify an asset's major components.

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### (h) Leases

Lease terms represent the contractual non-cancellable period for a lease, plus all periods covered by an option to renew or terminate the lease if the Company is reasonably certain to exercise, or not exercise this option respectively. Management applies judgment in assessing all factors that create an economic incentive to exercise extension options, or to not exercise termination options, available in its lease arrangements. Management reviews its initial assessment if a significant event or change in circumstances occurs which affects its initial assessment and is within the control of the Company.

To determine the carrying amount of right-of-use assets, lease liabilities and net investment in sublease, the Company estimates the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate attributable to each leased asset, or portfolio of leased assets, by assessing the Company's creditworthiness, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rate is subject to change mainly due to macroeconomic changes.

### (i) Valuation of deferred income tax assets

The Company assesses its ability to generate taxable income in future periods from its internal forecasts. Taxable income is adjusted to reflect certain non-taxable income and expense or the use of unused credits and tax losses. The Company's estimate of future taxable income, to determine the existence of a deferred tax asset, depends on many factors, including the Company's ability to generate income subject to tax in future periods and implement tax planning measures, including other substantive evidence. The occurrence or non-occurrence of certain future events may lead to significant changes in the measurement of deferred tax assets.

### (j) Provisions

Due to the nature of provisions, there is a degree of uncertainty inherent in their measurement. Management uses its best efforts to estimate and provide for potential losses. Assumptions applied reflect the most probable set of economic conditions and planned courses of action by the Company.

### (k) Other

Other areas where the Company employs judgment and estimates include, the determination of its allowance for doubtful accounts, financial instruments, its control assessment of subsidiaries and contingencies related to litigation, claims and assessments.

## 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. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2023. The Company expects to 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.

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### **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” to include incremental costs, and the allocation of other costs that directly relate to fulfilling the contract. This could result in an entity recording a provision for the expected loss attributable to the onerous contract in its financial statements earlier or that it wouldn't have recognized if not for this amendment. 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 were effective January 1, 2022 and earlier application was permitted. The Company expects to 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 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 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.

The amendment is effective 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.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 4. Intangibles

2022

	Internally generated intangible assets	Customer relation- ships	Brand name	Technology	Licenses	Total
<b>Cost</b>						
Balance, beginning of year	\$ 8,618	\$ 56,163	\$ 2,297	\$ 5,720	\$ 13,840	\$ 86,638
Additions	160	-	-	-	-	160
Foreign currency translation adjustment	(615)	(440)	-	-	-	(1,055)
Balance, end of year	\$ 8,163	\$ 55,723	\$ 2,297	\$ 5,720	\$ 13,840	\$ 85,743
<b>Accumulated amortization</b>						
Balance, beginning of year	\$ 8,618	\$ 56,163	\$ 2,297	\$ 5,720	\$ 7,612	\$ 80,410
Amortization	5	-	-	-	1,384	1,389
Foreign currency translation adjustment	(608)	(440)	-	-	-	(1,048)
Balance, end of year	\$ 8,015	\$ 55,723	\$ 2,297	\$ 5,720	\$ 8,996	\$ 80,751
Net carrying value, end of year	\$ 148	\$ -	\$ -	\$ -	\$ 4,844	\$ 4,992

2021

	Internally generated intangible assets	Customer relation- ships	Brand name	Technology	Licenses	Total
<b>Cost</b>						
Balance, beginning of year	\$ 8,232	\$ 55,883	\$ 2,297	\$ 5,720	\$ 13,840	\$ 85,972
Foreign currency translation adjustment	386	280	-	-	-	666
Balance, end of year	\$ 8,618	\$ 56,163	\$ 2,297	\$ 5,720	\$ 13,840	\$ 86,638
<b>Accumulated amortization</b>						
Balance, beginning of year	\$ 8,232	\$ 55,568	\$ 2,297	\$ 5,720	\$ 6,228	\$ 78,045
Amortization	-	315	-	-	1,384	1,699
Foreign currency translation adjustment	386	280	-	-	-	666
Balance, end of year	\$ 8,618	\$ 56,163	\$ 2,297	\$ 5,720	\$ 7,612	\$ 80,410
Net carrying value, end of year	\$ -	\$ -	\$ -	\$ -	\$ 6,228	\$ 6,228

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 5. Goodwill

	2022		
	U.S. Appraisal	U.S. Title	Total
Cost			
Balance, beginning of year	\$ 43,181	\$ 17,296	\$ 60,477
Balance, end of year	\$ 43,181	\$ 17,296	\$ 60,477
Accumulated impairment			
Balance, beginning of year	\$ -	\$ -	-
Impairment	-	17,296	17,296
Balance, end of year	\$ -	\$ 17,296	\$ 17,296
Net carrying value, end of year	\$ 43,181	\$ -	\$ 43,181

	2021		
	U.S. Appraisal	U.S. Title	Total
Cost			
Balance, beginning of year	\$ 43,181	\$ 17,296	\$ 60,477
Balance, end of year	\$ 43,181	\$ 17,296	\$ 60,477
Accumulated impairment			
Balance, beginning of year	\$ -	\$ -	-
Balance, end of year	\$ -	\$ -	-
Net carrying value, end of year	\$ 43,181	\$ 17,296	\$ 60,477

#### Impairment testing

##### *U.S. Appraisal*

The Company determined the recoverable amount based on a FVLCS calculation for its U.S. Appraisal CGU. To determine FVLCS for the U.S. Appraisal CGU group, the Company applied market valuation multiples derived from merger and acquisition transactions for like or similar businesses, including the Company's historical acquisition data, to its last twelve-month results of revenues less transaction costs and operating expenses.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed its recoverable amount.

##### *U.S. Title*

Due to a continued decline in economic and market conditions for mortgage origination refinance activity, and the resulting impact on operating results of the U.S. Title CGU group, the Company determined that triggering events, that indicate goodwill may be impaired, existed as of September 30, 2022. The Company re-performed its goodwill test for impairment at September 30, 2022 and concluded that impairment existed.

The Company determined the recoverable amount of its U.S. Title CGU based on FVLCS and the value in use approach. To determine FVLCS for the U.S. Title CGU group, the Company applied market valuation multiples derived from merger and acquisition transactions for like or similar businesses, including the Company's historical acquisition multiples, to revenues less transactions costs. To determine the value in use of the U.S. Title CGU group, the Company used a discounted cash flow methodology. The key assumptions used in the

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

valuation of the U.S. Title CGU group included estimated revenues, net revenue margins, long-term growth rates, market size and discount rate. Based on the results of this analysis, the Company recorded an impairment charge of \$17,296 against the carrying value of goodwill. The net carrying amount of goodwill allocated to the U.S. Title CGU, net of impairment charges, at September 30, 2022 is \$nil.

Measuring the fair value of the U.S. Title CGU includes the use of significant unobservable inputs, which are Level 3 inputs in the fair value hierarchy.

### 6. Property and Equipment

							2022
	Computer equip- ment	Furniture and fixtures	Leasehold improve- ments	Right-of-use assets (office space)	Right-of-use assets (computer equip- ment)		Total
<b>Cost</b>							
Balance, beginning of year	\$ 4,713	\$ 2,099	\$ 3,542	\$ 10,447	\$ 52		20,853
Additions	690	-	38	287	-		1,015
Disposals <sup>1</sup>	(134)	(358)	(772)	(2,484)	(52)		(3,800)
Foreign currency translation adjustment	(85)	(17)	(66)	(86)	-		(254)
Balance, end of year	\$ 5,184	\$ 1,724	\$ 2,742	\$ 8,164	\$ -		17,814
<b>Accumulated amortization</b>							
Balance, beginning of year	\$ 2,764	\$ 1,718	\$ 2,148	\$ 3,089	\$ 47		9,766
Amortization	1,160	170	320	1,486	5		3,141
Disposals <sup>1</sup>	(134)	(358)	(405)	(891)	(52)		(1,840)
Foreign currency translation adjustment	(77)	(16)	(66)	(58)	-		(217)
Balance, end of year	\$ 3,713	\$ 1,514	\$ 1,997	\$ 3,626	\$ -		10,850
Net carrying value, end of year	\$ 1,471	\$ 210	\$ 745	\$ 4,538	\$ -		6,964

Note

(1) Disposals include cost of \$2,282 and accumulated amortization of \$689 for the derecognition of the right-of-use assets (office space) related to the head lease of a net investment in sublease. See Note 7.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

							2021
	Computer equip- ment	Furniture and fixtures	Leasehold improve- ments	Right-of-use assets (office space)	Right-of-use assets (computer equip- ment)		Total
<b>Cost</b>							
Balance, beginning of year	\$ 3,431	\$ 2,031	\$ 3,408	\$ 8,762	\$ 52		17,684
Additions	1,232	56	92	1,645	-		3,025
Foreign currency translation adjustment	50	12	42	40	-		144
Balance, end of year	\$ 4,713	\$ 2,099	\$ 3,542	\$ 10,447	\$ 52		20,853
<b>Accumulated amortization</b>							
Balance, beginning of year	\$ 1,692	\$ 1,434	\$ 1,762	\$ 1,412	\$ 32		6,332
Amortization	1,043	275	346	1,667	15		3,346
Foreign currency translation adjustment	29	9	40	10	-		88
Balance, end of year	\$ 2,764	\$ 1,718	\$ 2,148	\$ 3,089	\$ 47		9,766
Net carrying value, end of year	\$ 1,949	\$ 381	\$ 1,394	\$ 7,358	\$ 5		11,087

### 7. Leases

The Company enters into lease agreements primarily for office space and computer equipment. As at September 30, 2022, the net book value of right-of-use assets totaled \$4,538 (September 30, 2021 – \$7,363). Refer to Note 6 for the continuity of cost and accumulated amortization for right-of-use assets.

The following table presents lease liabilities of the Company:

	2022	2021
Office space	\$ 5,860	\$ 8,038
Computer equipment	-	5
Total lease liabilities	\$ 5,860	\$ 8,043
Less: current portion	1,548	1,715
	\$ 4,312	\$ 6,328

At September 30, 2022, \$1,588 (September 30, 2021 – \$1,530) of lease liabilities are related to an extension option that was deemed reasonably certain to be exercised.

Future undiscounted contractual lease payments required in each of the next five years ending September 30 and thereafter are as follows:

2023	\$ 1,742
2024	1,563
2025	774
2026	443
2027	-
Thereafter	-
	\$ 4,522

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The undiscounted contractual lease payments included in the table above do not include expected sublease payments of \$289 for each of the years ending September 30, 2023 and 2024.

The following amounts attributable to leases have been recognized in the consolidated statements of operations and comprehensive (loss) income and consolidated statements of cash flows:

	<b>2022</b>	2021
Rent expense attributable to short-term and low-value leases	\$ 79	\$ 112
Amortization of right-of-use assets	\$ 1,491	1,682
Interest on lease liabilities	\$ 262	\$ 338
Total cash outflow for lease liabilities	\$ 1,735	\$ 1,542

Effective March 15, 2022, the Company entered into an agreement to sublease office space to a third-party. The sublease expires on September 30, 2024 which coincides with the expected early termination date of the associated head lease. The expected exercise of the head lease's early termination option resulted in a reduction to the lease liability of \$1,593 and a loss on disposal of the right-of-use asset of \$236.

### 8. Long-Term Debt

On April 30, 2021, the Company's senior term facilities and revolving credit facility matured. These facilities were secured by a general security agreement, which has since been discharged.

Interest expense is comprised of the following:

	<b>2022</b>	2021
Senior and revolving credit facilities	\$ -	\$ 56
Amortization of deferred financing costs	-	36
Lease liabilities	262	338
Other	2	-
	\$ 264	\$ 430

### 9. 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 were exercisable and expired on May 11, 2022, which was five years from the date of the IPO. Warrant liabilities converted to Company common shares upon exercise and the associated non-cash liability was reclassified to common shares. The non-cash liability attributable to warrants that expired unexercised was recorded to the consolidated statements of operations and comprehensive (loss) income. There was no circumstance that required the Company to pay cash upon exercise or expiry of the warrants.

For the year ended September 30, 2022, 96 (2021 – 95) warrants were exercised, resulting in the issue of 77 (2021 – 88) common shares. These warrants had a fair value of \$407 (2021 – \$981) at the date of exercise, determined using the Black-Scholes-Merton option pricing model, and this amount was transferred from warrant liabilities to common shares. The Company also recorded a \$183 gain (2021 – \$268 gain) to the consolidated statement of operations and comprehensive (loss) income representing the difference between the fair value of certain warrants recorded at a previous reporting date and the fair value of these warrants on the date of exercise.

At September 30, 2022, there were no warrants outstanding (September 30, 2021 – 96). All warrants had an exercise price of C\$1.38 (September 30, 2021 – C\$1.38) representing a total liability of \$nil at September 30, 2022 (September 30, 2021 - \$651).

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 10. Shareholders' Equity

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. At September 30, 2022 and 2021, no preferred shares were issued.

#### *Normal course issuer bid*

Effective June 11, 2021, 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 10, 2022. Under the renewed NCIB, the Company was approved by the TSX to purchase up to 4,000 common shares. Daily purchases made on the TSX, or through alternative Canadian trading systems, were limited to a maximum of 153,956 common shares. Effective November 24, 2021, the Company received approval from the TSX to amend its NCIB to increase the number of common shares available for purchase and cancellation from 4,000 to 6,000. Effective May 6, 2022, the Company received approval from the TSX to further amend its NCIB to increase the number of common shares available for purchase and cancellation from 6,000 to 7,649.

Effective June 13, 2022, the Company received approval from the TSX to renew its normal course issuer bid 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.

Under each normal course issuer bid, the Company was/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 year ended September 30, 2022, 6,526 common shares (2021 – 7,261) were purchased and cancelled at a total cost of \$28,741 (2021 - \$97,795). As of November 15, 2022, 3 additional common shares were purchased and cancelled or settled.

Details of the Company's common shares are as follows:

	<b>2022</b>	
	<b>Number of shares</b>	<b>Amount</b>
Balance, beginning of year	<b>79,048</b>	<b>\$ 246,377</b>
Common shares issued on the exercise of stock options, during the year (Note 16)	<b>97</b>	<b>377</b>
Common shares issued on the exercise of warrants, during the year (Note 9)	<b>77</b>	<b>407</b>
Purchase of common shares, during the year	<b>(6,526)</b>	<b>(19,876)</b>
Balance, end of year	<b>72,696</b>	<b>\$ 227,285</b>

  

	<b>2021</b>	
	<b>Number of shares</b>	<b>Amount</b>
Balance, beginning of year	85,359	\$ 262,653
Common shares issued on the exercise of stock options, during the year (Note 16)	862	4,897
Common shares issued on the exercise of warrants, during the year (Note 9)	88	981
Purchase of common shares, during the year	(7,261)	(22,154)
Balance, end of year	79,048	\$ 246,377

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

Details of the Company's restricted shares are as follows:

	<b>2022</b>	
	<b>Number of shares</b>	<b>Amount</b>
Balance, beginning of year	-	\$ -
Restricted shares purchased and held in trust	<b>(101)</b>	<b>(311)</b>
Balance, end of year	<b>(101)</b>	<b>\$ (311)</b>

### 11. 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:

	<b>2022</b>		2021	
Net (loss) income	\$	<b>(9,265)</b>	\$	33,080
Net (loss) income attributable to common shareholders	\$	<b>(9,272)</b>	\$	32,992
Weighted average number of shares, basic		<b>76,514</b>		82,772
Dilutive effect of stock options, equity-settled RSUs and warrants <sup>(1)</sup>		<b>439</b>		1,424
Weighted average number of shares, diluted		<b>76,953</b>		84,196
Net (loss) income per weighted average share, basic	\$	<b>(0.12)</b>	\$	0.40
Net (loss) income per weighted average share, diluted	\$	<b>(0.12)</b>	\$	0.39

Note

(1) Warrants had no dilutive effect on the weighted average number of shares for the year ended September 30, 2022.

### 12. Operating Expenses

	<b>2022</b>		2021	
Operating expenses:				
Salaries and benefits	\$	<b>62,779</b>	\$	85,793
Sales and marketing		<b>708</b>		481
Travel and entertainment		<b>440</b>		179
Office and computer		<b>10,560</b>		14,321
Professional fees		<b>2,715</b>		3,032
Other		<b>2,393</b>		3,693
	\$	<b>79,595</b>	\$	107,499

For the year ended September 30, 2022, the Company recognized an expense of \$1,232 (2021 - \$1,196) to salaries and benefits for contributions made in connection with defined contribution plans.

### 13. Restructuring

Restructuring expenses represent severance costs associated with changes in the Company's management structure. As of September 30, 2022, \$486 of restructuring expenses have been paid with the balance of \$1,056 recorded to accrued charges.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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

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

Inflow (outflow)	2022	2021
Trade and other receivables	\$ 26,746	\$ (15,360)
Prepaid expenses	(49)	(794)
Trade payables	(9,933)	2,325
Accrued charges	(24)	(923)
Effect of foreign currency translation adjustments and other non-cash changes	107	(1,686)
	\$ 16,847	\$ (16,438)

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

	September 30, 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 - September 30, 2022
Lease liabilities	\$ 8,043	285	(1,735)	-	(27)	(706)	\$ 5,860
Warrant liabilities	\$ 651	-	-	(249)	5	(407)	\$ -

  

	September 30, 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	Ending balance - September 30, 2021
Lease liabilities	\$ 7,904	1,645	(1,542)	-	36	-	\$ 8,043
Warrant liabilities	\$ 3,527	-	-	(2,084)	189	(981)	\$ 651

### 16. Stock-Based Compensation

#### Long-term incentive plan ("2017 Equity Plan")

The purpose of the 2017 Equity Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants and to align compensation with Company and stock price performance. The following types of awards may be issued under the LTIP: restricted share units ("RSUs"), performance share units ("PSUs") and stock options. To date, the Company has only issued stock options and RSUs as long-term incentive plan awards and has not issued any PSUs.

#### RSUs

The duration of the vesting period and other vesting terms applicable to any RSUs granted under the 2017 Equity Plan are determined by the plan administrator at the time of grant. Upon vesting, holders receive, at the option of the plan administrator, either one common share from treasury for each vested RSU, the cash equivalent or a combination of a cash payment and common shares.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

In February 2022, the Company established a new equity incentive plan ("2022 Equity Plan"). In connection with the 2022 Equity Plan, the Company established a trust to hold common shares purchased in the open market for certain Canadian participants until each RSU vests and the award is settled. The vesting date and other vesting terms applicable to RSUs granted under the 2022 Equity Plan are determined by the plan administrator at the time of grant.

The Company granted the following RSUs during the year ended September 30, 2022:

Grant date	Plan	Group granted to	Vesting date	Number of RSUs granted	Weighted average fair value, expressed in C\$
February 1, 2022	2017 Equity Plan	Directors	February 1, 2022	69 \$	6.38
February 1, 2022	2017 Equity Plan	U.S. Executive officers	February 1, 2025	26 \$	6.38
February 1, 2022	2022 Equity Plan	Canadian Executive officers	February 1, 2025	101 \$	6.45

The following table outlines changes to RSUs:

	2022	2021
	Number of RSUs	Number of RSUs
Outstanding balance, beginning of year	-	-
Granted, during the year	196	-
Settled, during the year	-	-
Forfeited, during the year	(13)	-
Outstanding balance, end of year	183	-
Vested, but not settled, end of year	69	-

At September 30, 2022, 101 common shares were held in trust to settle future obligations under the 2022 Equity Plan.

The Company recorded RSU expense of \$577 (2021 - \$nil) to operating expenses in the consolidated statements of operations and comprehensive (loss) income for the year ended September 30, 2022.

### PSUs

A PSU entitles the holder to receive common shares based on the achievement of performance goals over a period of time as established by the plan administrator. The performance goals established by the plan administrator may be based on the achievement of corporate, divisional or individual goals, and may be established relative to performance against an index or comparator group, in each case, determined by the plan administrator. The plan administrator may modify the performance goals as necessary to align them with the Company's corporate objectives. The performance goals may include a threshold level of performance below which no payment will be made, levels of performance at which specified payments will be made and a maximum level of performance above which no additional payment will be made. Upon vesting, holders will receive, at the option of the plan administrator, either common shares issued from treasury in proportion to the

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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number of vested PSUs held and the level of performance achieved, the cash equivalent or a combination of a cash payment and common shares.

RSUs and PSUs granted under the 2017 Equity Plan shall be credited with dividend equivalents in the form of additional RSUs or PSUs, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate.

### *Stock options*

Subject to the discretion of the plan administrator, stock options granted under the 2017 Equity Plan vest equally on their first, second and third anniversary from the date of grant. Each stock option expires on the date that is the earlier of 10 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

The Company granted the following stock options during the year ended September 30, 2022:

<b>Grant date</b>	<b>Recipient</b>	<b>Vesting period</b>	<b>Expiry date</b>	<b>Aggregate number of stock options granted</b>
February 1, 2022	Certain employees	Equally on the first, second and third anniversary date from the date of grant	7th anniversary date from the date of grant	335
May 2, 2022	Certain employee	Two thirds immediately, one third on November 25, 2022	November 25, 2026	1
May 2, 2022	Certain employee	One third immediately, one third on November 24, 2022, one third on November 24, 2023	November 24, 2027	1
May 2, 2022	Certain employee	Equally on February 1, 2023, 2024 and 2025	February 1, 2029	6
May 2, 2022	Certain employees	Equally on the first, second and third anniversary date from the date of grant	7 <sup>th</sup> anniversary date from the date of grant	30
August 2, 2022	Certain employees	Equally on the first, second and third anniversary date from the date of grant	7th anniversary date from the date of grant	3

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# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

To estimate the fair value of stock options, the Company used the Black-Scholes-Merton option pricing model which required the use of several input variables. These variables include the expected volatility, the risk free interest rate and the estimated length of time employees will retain their stock options before exercising them. Changes in these variables can materially impact the estimated fair value of stock-based compensation and consequently, the related amount recognized to operating expenses in the consolidated statements of operations and comprehensive (loss) income. To calculate the fair value of stock options at the date of grant, the following weighted average assumptions were applied:

Grant date	August 2, 2022	May 2, 2022	February 1, 2022
Dividend yield	-	-	-
Expected volatility	56.3%	53.2%	55.6%
Risk free interest rate	3.2%	2.7%	1.5%
Expected remaining life, stated in years	4.5	4.4	4.5
Exercise price (expressed in C\$)	\$ 5.79	\$ 5.56	\$ 6.38
Fair value, per stock option (expressed in C\$)	\$ 2.83	\$ 1.99	\$ 2.95

	2022		2021	
	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	4,578	\$ 8.91	5,111	\$ 7.50
Granted, during the year	376	\$ 6.29	473	\$ 19.03
Exercised, during the year	(97)	\$ 3.73	(862)	\$ 5.55
Forfeited, during the year	(431)	\$ 12.25	(106)	\$ 16.16
Expired, during the year	-	\$ -	(38)	\$ 2.28
Outstanding balance, end of year	4,426	\$ 8.47	4,578	\$ 8.91
Stock options exercisable, end of year	3,799	\$ 8.00	3,661	\$ 7.85

The Company recorded stock option expense of \$958 (2021 - \$2,408) to operating expenses in the consolidated statements of operations and comprehensive (loss) income for the year ended September 30, 2022.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (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 September 30, 2022:

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	525	2.08	525
\$ 3.18 – \$ 4.26	543	3.17	543
\$ 4.27 – \$ 5.95	265	3.17	243
\$ 5.96 – \$ 6.25	733	2.61	733
\$ 6.26 – \$ 7.44	517	5.23	220
\$ 7.45 – \$ 11.48	289	4.01	289
\$ 11.49 – \$ 12.89	414	4.19	303
\$ 12.90 – \$ 13.50	711	4.61	711
\$ 13.51 – \$ 31.94	429	4.99	232
	<b>4,426</b>	<b>3.75</b>	<b>3,799</b>

### 17. Related Party Transactions

#### *Compensation of Key Management Personnel*

The Company's key management personnel comprise the board of directors and current and former members of the executive team. Compensation for key management personnel, recorded to operating expenses and restructuring expenses, was as follows:

	2022	2021
Salaries and benefits	\$ 3,977	\$ 5,610
Post-employment benefits <sup>1</sup>	\$ 570	\$ -
Stock-based compensation	\$ 422	\$ 1,369

Note

(1) Recorded to restructuring expenses. See Note 13.

### 18. Commitments and Contingencies

The Company administers escrow accounts for undisbursed funds received for the settlement of certain residential and commercial real estate title transactions. Deposits at Federal Deposit Insurance Corporation ("FDIC") institutions are insured up to \$250. Undisbursed cash deposited in these escrow accounts totaled \$15,916 at September 30, 2022 (2021 - \$77,451) which are not assets of the Company and have been excluded from the Company's consolidated statements of financial position. However, the Company remains contingently liable to disburse these deposits.

The Company is also subject to certain lawsuits and other claims arising in the ordinary course of business. The outcome of these matters is subject to resolution. Based on management's evaluation and analysis of these matters, when determinable, the amount of any potential loss is accrued. Management believes that any amounts above those already accrued will not be material to the financial statements.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### 19. Financial Instruments

The following table outlines the hierarchical measurement categories for the fair value of financial liabilities. At September 30, 2022 there were no financial liabilities measured at fair value on a recurring basis. At September 30, 2021, a financial liability measured on a recurring basis had the following estimated fair value expressed on a gross basis:

	2021			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un- observable inputs (Level 3)	Total
Warrant liabilities	\$ -	\$ (651)	\$ -	\$ (651)
	\$ -	\$ (651)	\$ -	\$ (651)

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 years ended September 30, 2022 and 2021, there were no transfers between levels or changes to the valuation techniques.

At September 30, 2021, the fair value of warrant liabilities were calculated using the Black-Scholes-Merton option pricing model which is subject to considerable judgment and estimate. Accordingly, the fair value estimate may not have been indicative of the amount the Company, or a counterparty to the instrument, could have realized in a market exchange. The use of differing assumptions, and or estimation methods, could have affected 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 maturities of these instruments.

#### *Financial risk management*

In the normal course of business, the Company is exposed to financial risks that have the potential to impact its financial performance, including credit risk, market risk and liquidity risk. The Company's primary objective is to protect its operations, cash flows and ultimately shareholder value. The Company designs and implements risk management strategies but does not typically use derivative financial instruments to manage these risks.

#### Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, resulting in a financial loss for the Company. The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The carrying amounts of financial assets recorded to the consolidated statements of financial position represent the Company's maximum exposure to credit risk at the date presented. The Company's credit risk is primarily attributable to its trade receivables which is limited by the Company's broad customer base. At September 30, 2022, three customers represented more than 10% (2021 – two customers represented more than 10%) of the Company's total trade and other receivables.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

To limit credit risk, the Company monitors its aged receivable balances monthly. In addition, a significant portion of the Company's revenue is settled on closing through an escrow account which have no credit terms attributable to collection. The Company's customers are financial and lending institutions that are typically well funded, which also limits the Company's exposure to credit risk. In certain circumstances, the Company may require customer deposits or pre-payments to limit credit risk. While the Company has risk mitigation processes in place, there can be no certainty that it can eliminate all credit risk. Accordingly, these processes may not be effective in the future and the potential for credit losses may increase.

### Trade and other receivables

	2022	2021
Trade receivables	\$ 19,146	\$ 45,132
Settlement receivables	156	1,137
Net investment in sublease	556	-
Allowance for doubtful accounts	(27)	(248)
	<b>\$ 19,831</b>	<b>\$ 46,021</b>

The following table outlines the change in the allowance for doubtful accounts:

	2022	2021
Balance, beginning of year	\$ (248)	\$ (344)
Impairment recoveries (losses) recognized, during the year	34	(42)
Write-offs, during the year	187	138
Balance, end of year	<b>\$ (27)</b>	<b>\$ (248)</b>

The aging of trade and other receivables was as follows:

	2022	2021
Current	\$ 14,464	\$ 29,426
Over 30 days	4,377	15,648
Over 60 days	736	521
Over 90 days	281	674
Total gross trade and other receivables	<b>19,858</b>	46,269
Less: allowance for doubtful accounts	27	248
Total trade and other receivables	<b>\$ 19,831</b>	<b>\$ 46,021</b>

### Foreign currency risk

Foreign currency risk arises due to fluctuations in foreign currency exchange rates. The Company's objective is to minimize its net exposure to foreign currency cash flows by holding U.S. dollar cash balances and matching them with U.S. dollar obligations arising from its U.S. operations and matching Canadian dollar cash balances and obligations to its Canadian operations.

Since the Company has elected to report its financial results in U.S. dollars, the Company is exposed to foreign currency fluctuations on its reported amounts of Canadian assets and liabilities. As at September 30, 2022, the Company had net assets of \$1,549 (2021 – net assets of \$2,932) denominated in Canadian dollars. A 10% change in the exchange rate between the U.S. and Canadian dollar results in a plus or minus \$155 (2021 - \$293) change in the value of net assets recorded on the Company's consolidated statements of financial position. All such changes are recorded to other comprehensive income or loss.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on investments in cash equivalent, short-term investments.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations to settle financial liabilities through the delivery of cash or another financial asset. The Company's objective is to manage operational uncertainties, including, but not limited to, unfavourable real estate trends, market share and sales volumes.

The Company also maintains sufficient levels of working capital to settle its financial liabilities when they are contractually due and manages its compliance with its debt covenants, when and as applicable.

The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities based on the earliest date the Company is required to make payment on these amounts:

						<b>2022</b>
						Payments due
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years	
Trade payables	\$ 11,869	\$ 11,869	\$ -	\$ -	-	
Accrued charges	\$ 4,269	\$ 4,269	\$ -	\$ -	-	

  

						<b>2021</b>
						Payments due
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years	
Trade payables	\$ 21,802	\$ 21,802	\$ -	\$ -	-	
Accrued charges	\$ 4,293	\$ 4,293	\$ -	\$ -	-	

## 20. Income Taxes

The components of income tax expense are as follows:

	<b>2022</b>	2021
Current income tax expense		
Current year	\$ 1,432	\$ 11,997
Adjustments for prior periods	329	102
	<b>1,761</b>	12,099
Deferred income tax (recovery) expense		
Origination and reversal of temporary differences	(6,212)	968
Adjustments for prior periods	1,367	(29)
	<b>(4,845)</b>	939
Total income tax (recovery) expense	\$ (3,084)	\$ 13,038

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The following table reconciles income tax expense calculated at the Company's applicable statutory income tax rate with the reported amounts:

	<b>2022</b>	2021
(Loss) income before income tax (recovery)	\$ (12,349)	\$ 46,118
Statutory income tax rate	<b>26.5%</b>	26.5%
Expected income tax (recovery) expense at the statutory income tax rate	<b>(3,272)</b>	12,221
Foreign income expense subject to tax at a different statutory tax rate	<b>179</b>	674
Adjustments for prior periods	<b>1,696</b>	73
Non-deductible expenses and non-taxable income	<b>(2,312)</b>	1,063
Minimum tax	<b>24</b>	-
State tax, net of federal benefit	<b>134</b>	(993)
Impact of U.S. statutory income tax rate	<b>467</b>	-
	<b>\$ (3,084)</b>	\$ 13,038

Movements in deferred tax assets and liabilities are as follows:

	<b>2022</b>				
	Balance, beginning of year	Recognized in net loss	Recognized in equity	Foreign currency translation adjust- ments	Total
Deferred tax (liabilities) assets					
Property and equipment	\$ (2,759)	\$ 1,209	\$ -	\$ 4	\$ (1,546)
Intangibles	6,730	501	-	(35)	7,196
Financing fees	39	(11)	-	(2)	26
Unutilized tax loss carryforwards	1,127	3,140	-	(141)	4,126
Unrealized foreign exchange gains	-	(350)	-	24	(326)
Capital loss carryforwards	-	100	-	(7)	93
Lease Liabilities	2,244	(874)	-	(7)	1,363
Interest expense	-	1,119	-	-	1,119
Other	77	11	-	(5)	83
	<b>\$ 7,458</b>	<b>\$ 4,845</b>	<b>\$ -</b>	<b>\$ (169)</b>	<b>\$ 12,134</b>

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

2021

	Balance, beginning of year	Recognized in net income	Recognized in equity	Foreign currency translation adjust- ments	Total
Deferred tax (liabilities) assets					
Property and equipment	\$ (2,724)	\$ (26)	\$ -	\$ (9)	(2,759)
Intangibles	9,806	(3,103)	-	27	6,730
Financing fees	453	(439)	-	25	39
Unutilized tax loss carryforwards	811	280	-	36	1,127
Unrealized foreign exchange gains	(2,435)	2,464	-	(29)	-
Capital loss carryforwards	141	(149)	-	8	-
Lease liabilities	2,200	34	-	10	2,244
Other	74	-	-	3	77
	\$ 8,326	\$ (939)	\$ -	\$ 71	\$ 7,458

Deferred income tax assets are recorded for unutilized tax loss carryforwards when the realization of the related tax benefit through future taxable income is probable. At September 30, 2022, the Company and its subsidiaries have \$7,151 (2021 - \$4,250) of non-capital loss carryforwards in Canada expiring in varying amounts between 2038 and 2042. The Company also has \$8,714 (2021 - \$nil) of non-capital loss carryforwards in the U.S. which do not expire. Total deferred tax assets of \$4,126 (2021 - \$1,127) have been recognized on the full amount of these loss carryforwards. Deferred tax assets have been recorded because management has concluded that the combination of existing earnings before amortization and the ability to implement tax planning measures should allow the Company to realize the benefit of its deferred tax assets before any anticipated growth in earnings.

No deferred tax is recognized on the amount of temporary differences arising between the carrying amount of an investment in subsidiary or an interest in a joint arrangement accounted for in these financial statements and the cost of either investment for tax purposes. The Company is able to control the timing of the reversal of these temporary differences and believes it is probable that they will not reverse in the foreseeable future.

## 21. Capital Management

The Company actively manages its debt and equity capital in support of its performance objectives and to ensure sufficient liquidity is available to support its financial obligations and operating and strategic plans, with a view to maximizing shareholder returns.

The Company defines capital as equity (currently comprising common share capital), short-term and long-term indebtedness, as and when applicable, and cash and cash equivalents. The Company manages its capital structure, commitments and maturities and makes adjustments, where required, based on general economic conditions, financial markets conditions, operating risks and working capital requirements. To maintain or adjust its capital structure, the Company may, with approval from its board of directors, as required, issue or repay debt and/or short-term borrowings, issue share capital or undertake other activities deemed appropriate. The board of directors reviews and approves the Company's annual operating budgets, and any material transactions that are not in the ordinary course of business, including proposals for acquisitions or other major capital transactions.

The Company is not subject to any externally-imposed capital requirements.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

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### 22. 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 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 include capital markets services, which have been rationalized, and 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 provided 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, 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 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 Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

	2022	2021
<b>Revenues</b>		
U.S. Appraisal	\$ 250,916	\$ 322,109
U.S. Title	36,542	129,538
Canada	52,184	52,460
	<b>\$ 339,642</b>	<b>\$ 504,107</b>
<b>Revenues net of transaction costs</b>		
U.S. Appraisal	\$ 55,510	\$ 69,263
U.S. Title	23,049	88,239
Canada	6,880	6,790
	<b>\$ 85,439</b>	<b>\$ 164,292</b>
<b>Amortization</b>		
U.S. Appraisal	\$ 928	\$ 1,485
U.S. Title	3,141	2,954
Canada	-	-
Corporate	461	606
	<b>\$ 4,530</b>	<b>\$ 5,045</b>
<b>Operating expenses</b>	<b>\$ 79,595</b>	<b>\$ 107,499</b>
<b>Loss on disposal of property and equipment</b>	<b>\$ 603</b>	<b>\$ -</b>
<b>Other non-operating costs</b>	<b>\$ 66</b>	<b>\$ -</b>
<b>Restructuring expenses</b>	<b>\$ 1,542</b>	<b>\$ 76</b>
<b>Impairment of goodwill</b>	<b>\$ 17,296</b>	<b>\$ -</b>
<b>Interest expense</b>	<b>\$ 264</b>	<b>\$ 430</b>
<b>Interest income</b>	<b>\$ (134)</b>	<b>\$ (151)</b>
<b>Net foreign exchange (gain) loss</b>	<b>\$ (5,725)</b>	<b>\$ 7,359</b>
<b>Gain on fair value of warrants</b>	<b>\$ (249)</b>	<b>\$ (2,084)</b>
<b>(Loss) income before income tax (recovery) expense</b>	<b>\$ (12,349)</b>	<b>\$ 46,118</b>

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

	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
				2021
	U.S.	Canada	Corporate	Total
Intangibles	\$ 6,228	\$ -	\$ -	\$ 6,228
Goodwill	\$ 60,477	\$ -	\$ -	\$ 60,477
Property and equipment	\$ 10,472	\$ -	\$ 615	\$ 11,087

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (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 disaggregation of revenue by service type is reconciled to the Company's segment revenue:

	2022	2021
Appraisal	\$ 299,824	\$ 371,481
Title - mortgage origination	35,019	122,306
Title - diversified	1,523	7,232
Insurance inspection	3,276	3,088
	<b>\$ 339,642</b>	<b>\$ 504,107</b>

For the year ended September 30, 2022, two customers (2021 – two customers) represented more than 10% of the Company's revenues, the largest representing 20.0% of total consolidated revenues and the next largest representing 10.3% of consolidated revenues (2021 – 19.1% and 10.1% respectively). Total revenues attributable to these two customers totaled \$102,948 (2021 – \$147,297) and was recorded in the Company's U.S. Appraisal and U.S. Title segments.

### 23. Guarantees

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. A guarantee requires the issuer to make a specified payment or payments to reimburse the beneficiary for a loss it incurs if the issuer fails to make a payment when due.

The Company's primary guarantees are as follows:

The Company has provided indemnities under lease agreements for the use of various office space. Under the terms of these agreements the Company agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits and damage arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated. These indemnities are in place for various periods beyond the original term of the lease and these leases expire between 2023 and 2027.

Through the Company's by-laws and stand-alone director indemnification agreements, indemnity has been provided to all directors and officers of the Company and its subsidiaries for various items including, but not limited to, all costs to settle suits or actions due to association with the Company and its subsidiaries, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably estimated.

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third-parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, underwriting and agency agreements, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

# Real Matters Inc.

## Notes to the Consolidated Financial Statements

For the years ended September 30, 2022 and 2021 (stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

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The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulty in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to the counterparties. Historically, the Company has not made any significant payments under these or similar indemnification agreements and therefore no amount has been accrued in the consolidated statements of financial position with respect to these agreements.

### 24. Prior Period Adjustment

In September 2022, the Company identified that withholding taxes attributable to the transfer of cash between the U.S. and Canada in fiscal 2021 should have been recorded as current income tax expense. The impact of this adjustment was determined to be immaterial and represents an understatement of current income tax expense and an overstatement of income taxes recoverable of \$2,250 for the year ended September 30, 2021. Net income was also overstated by the same amount and net income per weighted average share, basic and diluted, was overstated by \$0.03 and \$0.02, respectively. The adjustment did not impact cash generated from operating activities for the year ended September 30, 2021.