

# Real Matters Inc.

## Condensed Consolidated Statements of Financial Position

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

|  | June 30,<br>2022  | September 30,<br>2021 |
|--|-------------------|-----------------------|
| <b>ASSETS</b>                            |                   |                       |
| CURRENT                                  |                   |                       |
| Cash and cash equivalents                | \$ 53,041         | \$ 60,213             |
| Trade and other receivables              | 18,211            | 46,021                |
| Income taxes recoverable                 | 2,598             | 271                   |
| Prepaid expenses                         | 3,365             | 2,585                 |
| Net investment in sublease               | 270               | -                     |
|  | <b>77,485</b>     | 109,090               |
| NON-CURRENT                              |                   |                       |
| INTANGIBLES                              | 5,244             | 6,228                 |
| GOODWILL                                 | 60,477            | 60,477                |
| PROPERTY AND EQUIPMENT                   | 8,099             | 11,087                |
| NET INVESTMENT IN SUBLEASE               | 352               | -                     |
| DEFERRED TAX ASSETS                      | 6,443             | 7,458                 |
| <b>TOTAL ASSETS</b>                      | <b>\$ 158,100</b> | <b>\$ 194,340</b>     |
| <b>LIABILITIES</b>                       |                   |                       |
| CURRENT                                  |                   |                       |
| Trade payables                           | \$ 15,217         | \$ 21,802             |
| Accrued charges                          | 2,891             | 4,293                 |
| Lease liabilities (Note 9)               | 1,613             | 1,715                 |
|  | <b>19,721</b>     | 27,810                |
| NON-CURRENT                              |                   |                       |
| WARRANT LIABILITIES (Notes 4, 9, and 11) | -                 | 651                   |
| LEASE LIABILITIES (Note 9)               | 4,703             | 6,328                 |
|  | <b>4,703</b>      | <b>6,979</b>          |
| <b>TOTAL LIABILITIES</b>                 | <b>24,424</b>     | <b>34,789</b>         |
| <b>EQUITY</b>                            |                   |                       |
| NON-CONTROLLING INTERESTS                | 123               | 108                   |
| SHAREHOLDERS' EQUITY (Note 5)            |                   |                       |
| Common shares                            | 228,433           | 246,377               |
| Restricted shares                        | (311)             | -                     |
| Contributed surplus                      | 13,344            | 12,206                |
| Accumulated deficit                      | (102,197)         | (94,185)              |
| Accumulated other comprehensive loss     | (5,716)           | (4,955)               |
|  | <b>133,553</b>    | <b>159,443</b>        |
| <b>TOTAL EQUITY</b>                      | <b>133,676</b>    | <b>159,551</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>      | <b>\$ 158,100</b> | <b>\$ 194,340</b>     |

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

# Real Matters Inc.

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

For the periods ended June 30, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars except share and net income or loss per share amounts)

|   | Three months ended |            | Nine months ended |            |
|---|--------------------|------------|-------------------|------------|
|   | 2022               | 2021       | 2022              | 2021       |
| REVENUES (Note 12)  | \$ 78,704          | \$ 129,398 | \$ 281,442        | \$ 378,524 |
| TRANSACTION COSTS   | 60,560             | 90,781     | 210,370           | 249,223    |
| OPERATING EXPENSES (Note 7)   | 18,367             | 27,306     | 63,811            | 83,021     |
| AMORTIZATION  | 1,110              | 1,294      | 3,442             | 3,796      |
| LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT                                  | -                  | -          | 236               | -          |
| OTHER NON-OPERATING COSTS   | -                  | -          | 66                | -          |
| RESTRUCTURING EXPENSES  | 573                | -          | 573               | -          |
| INTEREST EXPENSE  | 61                 | 98         | 208               | 351        |
| INTEREST INCOME   | (33)               | (32)       | (63)              | (133)      |
| NET FOREIGN EXCHANGE (GAIN) LOSS  | (2,498)            | 2,183      | (685)             | 9,659      |
| LOSS (GAIN) ON FAIR VALUE OF WARRANTS (Notes 4 and 9)                       | -                  | 515        | (249)             | (1,221)    |
| INCOME BEFORE INCOME TAX EXPENSE  | 564                | 7,253      | 3,733             | 33,828     |
| INCOME TAX EXPENSE (RECOVERY)   |                    |            |                   |            |
| Current   | 1,406              | 1,515      | 2,043             | 10,324     |
| Deferred  | 582                | 476        | 987               | (521)      |
| TOTAL INCOME TAX EXPENSE  | 1,988              | 1,991      | 3,030             | 9,803      |
| NET (LOSS) INCOME   | (1,424)            | 5,262      | 703               | 24,025     |
| OTHER COMPREHENSIVE (LOSS) INCOME   |                    |            |                   |            |
| Items that will be reclassified to net income or loss:                      |                    |            |                   |            |
| Foreign currency translation adjustment                                     | (2,502)            | 19         | (761)             | 7,242      |
| COMPREHENSIVE (LOSS) INCOME   | \$ (3,926)         | \$ 5,281   | \$ (58)           | \$ 31,267  |
| NET (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS                     | \$ (1,437)         | \$ 5,269   | \$ 688            | \$ 23,923  |
| NET INCOME (LOSS) - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS               | \$ 13              | \$ (7)     | \$ 15             | \$ 102     |
| COMPREHENSIVE (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS           | \$ (3,939)         | \$ 5,288   | \$ (73)           | \$ 31,165  |
| COMPREHENSIVE INCOME (LOSS) - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS     | \$ 13              | \$ (7)     | \$ 15             | \$ 102     |
| Net (loss) income per weighted average share, basic (Note 6)                | \$ (0.02)          | \$ 0.06    | \$ 0.01           | \$ 0.29    |
| Net (loss) income per weighted average share, diluted (Note 6)              | \$ (0.02)          | \$ 0.06    | \$ 0.01           | \$ 0.28    |
| Weighted average number of shares outstanding (thousands), basic (Note 6)   | 76,326             | 82,489     | 77,769            | 83,822     |
| Weighted average number of shares outstanding (thousands), diluted (Note 6) | 76,822             | 85,010     | 78,265            | 86,343     |

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

# Real Matters Inc.

## Condensed Consolidated Statements of Cash Flows

For the periods ended June 30, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars)

|  | Three months ended |                 | Nine months ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | 2022               | 2021            | 2022              | 2021            |
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING</b>               |                    |                 |                   |                 |
| <b>OPERATING</b>   |                    |                 |                   |                 |
| Net (loss) income  | \$ (1,424)         | \$ 5,262        | \$ 703            | \$ 24,025       |
| Items not affecting cash   |                    |                 |                   |                 |
| Stock-based compensation (Note 10)   | 289                | 472             | 1,230             | 1,934           |
| Amortization of intangibles  | 346                | 431             | 1,038             | 1,295           |
| Amortization of property and equipment                                     | 764                | 863             | 2,404             | 2,501           |
| Loss on disposal of property and equipment                                 | -                  | -               | 236               | -               |
| Interest expense   | 61                 | 98              | 208               | 351             |
| Loss (gain) on fair value of warrants (Notes 4 and 9)                      | -                  | 515             | (249)             | (1,221)         |
| Income tax expense   | 1,988              | 1,991           | 3,030             | 9,803           |
| Unrealized foreign exchange (gain) loss on internal financing arrangements | (2,416)            | 1,190           | (896)             | 5,847           |
| Changes in non-cash working capital items (Note 8)                         | (2,471)            | (1,051)         | 19,247            | (2,987)         |
| Interest paid  | (61)               | (91)            | (208)             | (315)           |
| Income taxes paid  | (513)              | (3,391)         | (4,363)           | (9,300)         |
| Cash (utilized in) generated from operating activities                     | <b>(3,437)</b>     | <b>6,289</b>    | <b>22,380</b>     | <b>31,933</b>   |
| <b>INVESTING</b>   |                    |                 |                   |                 |
| Purchase of subsidiary shares from non-controlling interests               | -                  | -               | -                 | (53)            |
| Intangible asset additions   | (54)               | -               | (54)              | -               |
| Purchase of property and equipment   | (749)              | (286)           | (1,015)           | (2,978)         |
| Payments received from sublease  | 6                  | -               | 28                | -               |
| Cash utilized in investing activities                                      | <b>(797)</b>       | <b>(286)</b>    | <b>(1,041)</b>    | <b>(3,031)</b>  |
| <b>FINANCING</b>   |                    |                 |                   |                 |
| Proceeds from lease liabilities (Note 9)                                   | 272                | 31              | 285               | 1,645           |
| Repayment of lease liabilities (Note 9)                                    | (442)              | (407)           | (1,300)           | (1,125)         |
| Proceeds from the exercise of stock options, net of issue costs            | 169                | 3,236           | 277               | 3,772           |
| Restricted shares purchased and held in trust (Note 10)                    | -                  | -               | (516)             | -               |
| Purchase of common shares and related costs (Note 5)                       | (20,626)           | (59,209)        | (27,215)          | (86,128)        |
| Dividends paid to non-controlling interests                                | -                  | (10)            | -                 | (20)            |
| Cash utilized in financing activities                                      | <b>(20,627)</b>    | <b>(56,359)</b> | <b>(28,469)</b>   | <b>(81,856)</b> |
| Effect of foreign currency translation on cash and cash equivalents        | (121)              | 512             | (42)              | 3,112           |
| NET CASH OUTFLOW   | <b>(24,982)</b>    | <b>(49,844)</b> | <b>(7,172)</b>    | <b>(49,842)</b> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD OR YEAR                     | <b>78,023</b>      | 129,158         | <b>60,213</b>     | 129,156         |
| CASH AND CASH EQUIVALENTS, END OF PERIOD                                   | \$ <b>53,041</b>   | \$ 79,314       | \$ <b>53,041</b>  | \$ 79,314       |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>                                 |                    |                 |                   |                 |
| Cash and cash equivalents are comprised of:                                |                    |                 |                   |                 |
| Cash   | \$ 24,431          | \$ 41,284       | \$ 24,431         | \$ 41,284       |
| Cash equivalents   | 28,610             | 38,030          | 28,610            | 38,030          |
|  | \$ <b>53,041</b>   | \$ 79,314       | \$ <b>53,041</b>  | \$ 79,314       |

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

# Real Matters Inc.

## Condensed Consolidated Statements of Equity

For the three months ended June 30, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars)

|   | Non-controlling interests | Common shares | Restricted shares | Contributed surplus | Accumulated deficit | Accumulated other comprehensive loss | Total equity |
|---|---------------------------|---------------|-------------------|---------------------|---------------------|--------------------------------------|--------------|
| <b>Balance at March 31, 2022</b>                      | \$ 110                    | \$ 243,688    | \$ (311)          | \$ 13,113           | \$ (95,616)         | \$ (3,214)                           | \$ 157,770   |
| Net income (loss)                                     | 13                        |               |                   |                     | (1,437)             |                                      | (1,424)      |
| Common shares issued on the exercise of stock options |                           | 227           |                   | (58)                |                     |                                      | 169          |
| Stock-based compensation (Note 10)                    |                           |               |                   | 289                 |                     |                                      | 289          |
| Purchase of common shares and related costs (Note 5)  |                           | (15,482)      |                   |                     | (5,144)             |                                      | (20,626)     |
| Foreign currency translation adjustment               |                           |               |                   |                     |                     | (2,502)                              | (2,502)      |
| <b>Balance at June 30, 2022</b>                       | \$ 123                    | \$ 228,433    | \$ (311)          | \$ 13,344           | \$ (102,197)        | \$ (5,716)                           | \$ 133,676   |

|   | Non-controlling interests | Common shares | Restricted shares | Contributed surplus | Accumulated deficit | Accumulated other comprehensive loss | Total equity |
|---|---------------------------|---------------|-------------------|---------------------|---------------------|--------------------------------------|--------------|
| Balance at March 31, 2021                                     | \$ 1,242                  | \$ 258,103    | \$ -              | \$ 11,025           | \$ (54,548)         | \$ (2,604)                           | \$ 213,218   |
| Net (loss) income   | (7)                       |               |                   |                     | 5,269               |                                      | 5,262        |
| Dividends paid to non-controlling interests                   | (10)                      |               |                   |                     |                     |                                      | (10)         |
| Common shares issued on the exercise of stock options         |                           | 4,175         |                   | (939)               |                     |                                      | 3,236        |
| Stock-based compensation (Note 10)                            |                           |               |                   | 472                 |                     |                                      | 472          |
| Purchase of common shares and related costs (Note 5)          |                           | (13,562)      |                   |                     | (45,647)            |                                      | (59,209)     |
| Partial disposal of a subsidiary to non-controlling interests | (1,103)                   |               |                   | 1,103               |                     |                                      | -            |
| Foreign currency translation adjustment                       |                           |               |                   |                     |                     | 19                                   | 19           |
| <b>Balance at June 30, 2021</b>                               | \$ 122                    | \$ 248,716    | \$ -              | \$ 11,661           | \$ (94,926)         | \$ (2,585)                           | \$ 162,988   |

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

# Real Matters Inc.

## Condensed Consolidated Statements of Equity

For the nine months ended June 30, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars)

|   | Non-controlling interests | Common shares | Restricted shares | Contributed surplus | Accumulated deficit | Accumulated other comprehensive loss | Total equity |
|---|---------------------------|---------------|-------------------|---------------------|---------------------|--------------------------------------|--------------|
| <b>Balance at September 30, 2021</b>                    | \$ 108                    | \$ 246,377    | \$ -              | \$ 12,206           | \$ (94,185)         | \$ (4,955)                           | \$ 159,551   |
| Net income  | 15                        |               |                   |                     | 688                 |                                      | 703          |
| Common shares issued on exercise of stock options       |                           | 369           |                   | (92)                |                     |                                      | 277          |
| Common shares issued on exercise of warrants (Note 4)   |                           | 407           |                   |                     |                     |                                      | 407          |
| Stock-based compensation (Note 10)                      |                           |               |                   | 1,230               |                     |                                      | 1,230        |
| Restricted shares purchased and held in trust (Note 10) |                           |               | (311)             |                     | (205)               |                                      | (516)        |
| Purchase of common shares and related costs (Note 5)    |                           | (18,720)      |                   |                     | (8,495)             |                                      | (27,215)     |
| Foreign currency translation adjustment                 |                           |               |                   |                     |                     | (761)                                | (761)        |
| <b>Balance at June 30, 2022</b>                         | \$ 123                    | \$ 228,433    | \$ (311)          | \$ 13,344           | \$ (102,197)        | \$ (5,716)                           | \$ 133,676   |

|  | 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   | 102                       |               |                   |                     | 23,923              |                                      | 24,025       |
| Dividends paid to non-controlling interests                  | (20)                      |               |                   |                     |                     |                                      | (20)         |
| Common shares issued on exercise of stock options            |                           | 4,878         |                   | (1,106)             |                     |                                      | 3,772        |
| Stock-based compensation (Note 10)                           |                           |               |                   | 1,934               |                     |                                      | 1,934        |
| Purchase of common shares and related costs (Note 5)         |                           | (18,815)      |                   |                     | (67,313)            |                                      | (86,128)     |
| 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                      |                           |               |                   |                     |                     | 7,242                                | 7,242        |
| Balance at June 30, 2021                                     | \$ 122                    | \$ 248,716    | \$ -              | \$ 11,661           | \$ (94,926)         | \$ (2,585)                           | \$ 162,988   |

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

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

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### 1. Nature of Operations

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

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

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

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

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. These financial statements should be read in conjunction with the annual audited consolidated financial statements, and notes thereto, for the years ended September 30, 2021 and 2020 (the "annual financial statements").

These financial statements were authorized for issue by the board of directors on July 27, 2022.

#### Use of estimates and judgments

The preparation of these financial statements requires management to employ certain accounting estimates and judgments in the application of the Company's accounting policies. The areas involving significant estimate and judgment are set out in Note 2 to the Company's annual financial statements. There have been no notable changes in the methods applied to determine significant estimates and judgments since September 30, 2021, except as outlined in Note 3.

#### Summary of Significant Accounting Policies

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

#### Leases

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.

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## Notes to the Condensed Consolidated Financial Statements

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

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### *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. Compensation expense for an RSU is recorded to the condensed consolidated statement 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.

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 condensed consolidated statement of equity with any resulting premium or deficit recorded to accumulated deficit until the common shares are issued to settle the RSU obligation.

### **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.

#### **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.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

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### **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.

## **4. 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 had an expiry date of May 11, 2022, which was five years from the date of the IPO. Warrant liabilities convert to common shares of the Company when exercised and the associated non-cash liability is reclassified to common shares upon exercise. The non-cash liability attributable to warrants that expire unexercised is recorded to the condensed consolidated statements of operations and comprehensive (loss) income. There is no circumstance that requires the Company to pay cash upon exercise or expiry of the warrants.

During the nine months ended June 30, 2022, 96 warrants were exercised, resulting in the issuance of 77 common shares. These warrants had a fair value of \$407 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 to the condensed 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. During the nine months ended June 30, 2021, no warrants were exercised.

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

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

### 5. Shareholders' Equity

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 three and nine months ended June 30, 2022, 5,049 and 6,100 common shares (2021 – 4,422 and 6,180) were purchased and cancelled at a total cost of \$20,626 and \$27,215 (2021 - \$59,209 and \$86,128). As of July 27, 2022, 335 additional common shares were purchased and cancelled or settled.

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

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

|   | Three months ended June 30 |          | Nine months ended June 30 |           |
|---|----------------------------|----------|---------------------------|-----------|
|   | 2022                       | 2021     | 2022                      | 2021      |
| Net (loss) income                                     | \$ (1,424)                 | \$ 5,262 | \$ 703                    | \$ 24,025 |
| Net (loss) income attributable to common shareholders | \$ (1,437)                 | \$ 5,269 | \$ 688                    | \$ 23,923 |
| Weighted average number of shares, basic              | 76,326                     | 82,489   | 77,769                    | 83,822    |
| Dilutive effect of stock options and warrants         | 496                        | 2,521    | 496                       | 2,521     |
| Weighted average number of shares, diluted            | 76,822                     | 85,010   | 78,265                    | 86,343    |
| Net (loss) income per weighted average share, basic   | \$ (0.02)                  | \$ 0.06  | \$ 0.01                   | \$ 0.29   |
| Net (loss) income per weighted average share, diluted | \$ (0.02)                  | \$ 0.06  | \$ 0.01                   | \$ 0.28   |

### 7. Operating Expenses

|                          | Three months ended June |           | Nine months ended June 30 |           |
|--------------------------|-------------------------|-----------|---------------------------|-----------|
|                          | 2022                    | 2021      | 2022                      | 2021      |
| Operating expenses:      |                         |           |                           |           |
| Salaries and benefits    | \$ 14,356               | \$ 21,799 | \$ 50,553                 | \$ 66,180 |
| Sales and marketing      | 91                      | 91        | 528                       | 314       |
| Travel and entertainment | 146                     | 33        | 336                       | 90        |
| Office and computer      | 2,574                   | 3,691     | 8,263                     | 11,247    |
| Professional fees        | 632                     | 829       | 2,184                     | 2,353     |
| Other                    | 568                     | 863       | 1,947                     | 2,837     |
|                          | \$ 18,367               | \$ 27,306 | \$ 63,811                 | \$ 83,021 |

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

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

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

| Inflow (outflow)  | Three months ended June 30 |            | Nine months ended June 30 |            |
|---|----------------------------|------------|---------------------------|------------|
|   | 2022                       | 2021       | 2022                      | 2021       |
| Trade and other receivables   | \$ 5,028                   | \$ 2,197   | \$ 27,810                 | \$ (1,870) |
| Prepaid expenses  | (1,615)                    | (1,408)    | (780)                     | (1,255)    |
| Trade payables  | (4,676)                    | (541)      | (6,585)                   | 2,695      |
| Accrued charges   | (1,309)                    | 347        | (1,402)                   | (950)      |
| Effect of foreign currency translation adjustments and other non-cash changes | 101                        | (1,646)    | 204                       | (1,607)    |
|   | \$ (2,471)                 | \$ (1,051) | \$ 19,247                 | \$ (2,987) |

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

|                   | Three months ended June 30, 2022 |          |             |                      |  |                        |                                |
|-------------------|----------------------------------|----------|-------------|----------------------|--|------------------------|--------------------------------|
|                   | Cash flows                       |          |             |                      | Non-cash changes                       |                        |                                |
|                   | Opening balance - April 1, 2022  | Proceeds | Re-payments | Change in fair value | Effect of foreign currency translation | Other non-cash changes | Ending balance - June 30, 2022 |
| Lease liabilities | \$ 6,497                         | 272      | (442)       | -                    | (11)                                   | -                      | \$ 6,316                       |

  

|                     | Three months ended June 30, 2021 |          |             |                      |  |                        |                                |
|---------------------|----------------------------------|----------|-------------|----------------------|--|------------------------|--------------------------------|
|                     | Cash flows                       |          |             |                      | Non-cash changes                       |                        |                                |
|                     | Opening balance - April 1, 2021  | Proceeds | Re-payments | Change in fair value | Effect of foreign currency translation | Other non-cash changes | Ending balance - June 30, 2021 |
| Lease liabilities   | \$ 8,840                         | 31       | (407)       | -                    | 8                                      | -                      | \$ 8,472                       |
| Warrant liabilities | \$ 1,967                         | -        | -           | 515                  | 67                                     | -                      | \$ 2,549                       |

  

|                     | Nine months ended June 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 - June 30, 2022 |
| Lease liabilities   | \$ 8,043                          | 285      | (1,300)     | -                    | (6)                                    | (706)                  | \$ 6,316                       |
| Warrant liabilities | \$ 651                            | -        | -           | (249)                | 5                                      | (407)                  | \$ -                           |

## Real Matters Inc.

### Notes to the Condensed Consolidated Financial Statements

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

|                     | Cash flows                        |          |             |                      |  | Non-cash changes       |                                | Nine months ended June 30, 2021 |  |
|---------------------|-----------------------------------|----------|-------------|----------------------|--|------------------------|--------------------------------|---------------------------------|--|
|                     | Opening balance - October 1, 2020 | Proceeds | Re-payments | Change in fair value | Effect of foreign currency translation | Other non-cash changes | Ending balance - June 30, 2021 |                                 |  |
| Lease liabilities   | \$ 7,904                          | 1,645    | (1,125)     | -                    | 48                                     | -                      | \$ 8,472                       |                                 |  |
| Warrant liabilities | \$ 3,527                          | -        | -           | (1,221)              | 243                                    | -                      | \$ 2,549                       |                                 |  |

### 10. Stock-Based Compensation

#### Stock options

The Company granted the following stock options during the nine months ended June 30, 2022:

| Grant date       | Recipient         | Vesting period  | Expiry date                                 | Aggregate number of stock options granted |
|------------------|-------------------|---|---|---|
| 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        | 7th anniversary date from the date of grant | 30  |

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

The following table outlines changes to stock options:

|  | Nine months ended June 30     |  |                               |  |
|--|-------------------------------|--|-------------------------------|--|
|  | 2022                          |  | 2021                          |  |
|  | Number of<br>stock<br>options | Weighted<br>average<br>exercise<br>price,<br>expressed<br>in C\$ | Number of<br>stock<br>options | Weighted<br>average<br>exercise<br>price,<br>expressed<br>in C\$ |
| Outstanding balance, beginning of year   | 4,578                         | \$ 8.91  | 5,112                         | \$ 7.50  |
| Granted, during the period               | 373                           | \$ 6.30  | 463                           | \$ 19.16   |
| Exercised, during the period             | (92)                          | \$ 3.82  | (859)                         | \$ 5.56  |
| Forfeited, during the period             | (309)                         | \$ 13.05   | (96)                          | \$ 15.99   |
| Expired, during the period               | -                             | \$ -   | (38)                          | \$ 2.28  |
| Outstanding balance, end of period       | 4,550                         | \$ 8.51  | 4,582                         | \$ 8.92  |
| Stock options exercisable, end of period | 3,875                         | \$ 8.04  | 3,607                         | \$ 7.85  |

The Company recorded stock option expense of \$209 and \$736 (2021 - \$472 and \$1,934) to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three and nine months ended June 30, 2022.

The following table summarizes certain information for stock options outstanding as at June 30, 2022:

| Exercise price<br>range, expressed<br>in C\$ | Number of<br>stock<br>options | Weighted<br>average<br>remaining<br>contractual<br>life,<br>expressed<br>in years | Number of<br>stock<br>options<br>exercisable |
|--|-------------------------------|---|--|
| \$ 2.21 – \$ 3.17                            | 530                           | 2.31  | 530  |
| \$ 3.18 – \$ 4.26                            | 543                           | 3.42  | 543  |
| \$ 4.27 – \$ 5.67                            | 276                           | 3.51  | 246  |
| \$ 5.68 – \$ 6.14                            | 738                           | 2.86  | 738  |
| \$ 6.15 – \$ 7.44                            | 559                           | 5.47  | 239  |
| \$ 7.45 – \$ 11.48                           | 294                           | 4.28  | 294  |
| \$ 11.49 – \$ 12.89                          | 447                           | 4.44  | 329  |
| \$ 12.90 – \$ 13.50                          | 716                           | 4.86  | 716  |
| \$ 13.51 – \$ 31.94                          | 447                           | 5.25  | 240  |
|  | 4,550                         | 4.02  | 3,875  |

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

*RSUs*  
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 purpose of the 2022 Equity Plan is to retain the best available personnel for positions of substantial responsibility and to provide additional incentive to these employees.

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 nine months ended June 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:

|  | Nine months ended June 30 |      |
|--|---------------------------|------|
|  | 2022                      | 2021 |
|  | Number of RSUs            |      |
| Outstanding balance, beginning of year | -                         | -    |
| Granted, during the period             | 196                       | -    |
| Settled, during the period             | -                         | -    |
| Forfeited, during the period           | (13)                      | -    |
| Outstanding balance, end of period     | 183                       | -    |
| Vested, but not settled, end of period | 69                        | -    |

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

The Company recorded RSU expense of \$80 and \$494 (2021 - \$nil and \$nil) to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three and nine months ended June 30, 2022.

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

### 11. Financial Instruments

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

|                     | September 30, 2021   |   |   |          |
|---------------------|--|---|---|----------|
|                     | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>un-<br>observable<br>inputs<br>(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 nine months ended June 30, 2022 and year ended September 30, 2021, there were no transfers between levels or changes to the valuation techniques.

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.

### 12. Segmented Reporting

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

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

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

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

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, Note 2. The Company evaluates segment performance based on revenues, net of transaction costs.

|   | Three months ended June |                   | Nine months ended June 30 |                   |
|---|-------------------------|-------------------|---------------------------|-------------------|
|   | 2022                    | 2021              | 2022                      | 2021              |
| <b>Revenues</b>                                   |                         |                   |                           |                   |
| U.S. Appraisal                                    | \$ 57,299               | \$ 85,341         | \$ 207,008                | \$ 231,232        |
| U.S. Title  | 5,606                   | 27,720            | 32,576                    | 107,707           |
| Canada  | 15,799                  | 16,337            | 41,858                    | 39,585            |
|   | <b>\$ 78,704</b>        | <b>\$ 129,398</b> | <b>\$ 281,442</b>         | <b>\$ 378,524</b> |
| <b>Revenues net of transaction costs</b>          |                         |                   |                           |                   |
| U.S. Appraisal                                    | \$ 12,923               | \$ 18,138         | \$ 44,365                 | \$ 50,459         |
| U.S. Title  | 3,317                   | 18,628            | 21,300                    | 73,586            |
| Canada  | 1,904                   | 1,851             | 5,407                     | 5,256             |
|   | <b>\$ 18,144</b>        | <b>\$ 38,617</b>  | <b>\$ 71,072</b>          | <b>\$ 129,301</b> |
| <b>Amortization</b>                               |                         |                   |                           |                   |
| U.S. Appraisal                                    | \$ 207                  | \$ 375            | \$ 744                    | \$ 1,141          |
| U.S. Title  | 795                     | 766               | 2,341                     | 2,194             |
| Canada  | -                       | -                 | -                         | -                 |
| Corporate   | 108                     | 153               | 357                       | 461               |
|   | <b>\$ 1,110</b>         | <b>\$ 1,294</b>   | <b>\$ 3,442</b>           | <b>\$ 3,796</b>   |
| <b>Operating expenses</b>                         | <b>\$ 18,367</b>        | <b>\$ 27,306</b>  | <b>\$ 63,811</b>          | <b>\$ 83,021</b>  |
| <b>Loss on disposal of property and equipment</b> | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 236</b>             | <b>\$ -</b>       |
| <b>Other non-operating costs</b>                  | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 66</b>              | <b>\$ -</b>       |
| <b>Restructuring expenses</b>                     | <b>\$ 573</b>           | <b>\$ -</b>       | <b>\$ 573</b>             | <b>\$ -</b>       |
| <b>Interest expense</b>                           | <b>\$ 61</b>            | <b>\$ 98</b>      | <b>\$ 208</b>             | <b>\$ 351</b>     |
| <b>Interest income</b>                            | <b>\$ (33)</b>          | <b>\$ (32)</b>    | <b>\$ (63)</b>            | <b>\$ (133)</b>   |
| <b>Net foreign exchange (gain) loss</b>           | <b>\$ (2,498)</b>       | <b>\$ 2,183</b>   | <b>\$ (685)</b>           | <b>\$ 9,659</b>   |
| <b>Loss (gain) on fair value of warrants</b>      | <b>\$ -</b>             | <b>\$ 515</b>     | <b>\$ (249)</b>           | <b>\$ (1,221)</b> |
| <b>Income before income tax expense</b>           | <b>\$ 564</b>           | <b>\$ 7,253</b>   | <b>\$ 3,733</b>           | <b>\$ 33,828</b>  |

# Real Matters Inc.

## Notes to the Condensed Consolidated Financial Statements

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

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

|                        | June 30, 2022 |        |           |           |
|------------------------|---------------|--------|-----------|-----------|
|                        | U.S.          | Canada | Corporate | Total     |
| Intangibles            | \$ 5,223      | \$ -   | \$ 21     | \$ 5,244  |
| Goodwill               | \$ 60,477     | \$ -   | \$ -      | \$ 60,477 |
| Property and equipment | \$ 7,528      | \$ -   | \$ 571    | \$ 8,099  |

  

|                        | September 30, 2021 |        |           |           |
|------------------------|--------------------|--------|-----------|-----------|
|                        | U.S.               | Canada | Corporate | Total     |
| Intangibles            | \$ 6,228           | \$ -   | \$ -      | \$ 6,228  |
| Goodwill               | \$ 60,477          | \$ -   | \$ -      | \$ 60,477 |
| Property and equipment | \$ 10,472          | \$ -   | \$ 615    | \$ 11,087 |

### 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:

|                              | Three months ended June |            | Nine months ended June 30 |            |
|------------------------------|-------------------------|------------|---------------------------|------------|
|                              | 2022                    | 2021       | 2022                      | 2021       |
| Appraisal                    | \$ 72,265               | \$ 100,920 | \$ 246,337                | \$ 268,557 |
| Title - mortgage origination | 5,318                   | 26,098     | 31,356                    | 101,650    |
| Title - diversified          | 288                     | 1,622      | 1,220                     | 6,057      |
| Insurance inspection         | 833                     | 758        | 2,529                     | 2,260      |
|                              | \$ 78,704               | \$ 129,398 | \$ 281,442                | \$ 378,524 |

### 13. Seasonality

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