

Real Matters Inc.

Condensed Consolidated Statements of Financial Position

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

	December 31, 2022	September 30, 2022
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 45,116	\$ 46,142
Trade and other receivables	10,012	19,831
Income taxes recoverable	3,469	1,126
Prepaid expenses	1,923	2,634
	60,520	69,733
NON-CURRENT		
INTANGIBLES	4,748	4,992
GOODWILL	43,181	43,181
PROPERTY AND EQUIPMENT	6,435	6,964
DEFERRED TAX ASSETS	14,442	12,134
	68,806	67,271
TOTAL ASSETS	\$ 129,326	\$ 137,004
LIABILITIES		
CURRENT		
Trade payables	\$ 8,596	\$ 11,869
Accrued charges	3,426	4,269
Lease liabilities (Note 8)	1,647	1,548
	13,669	17,686
NON-CURRENT		
OTHER LIABILITIES (Note 9 and 10)	26	-
LEASE LIABILITIES (Note 8)	3,939	4,312
	3,965	4,312
TOTAL LIABILITIES	17,634	21,998
EQUITY		
NON-CONTROLLING INTERESTS	(9)	115
SHAREHOLDERS' EQUITY (Note 4)		
Common shares	227,276	227,285
Restricted shares	(311)	(311)
Contributed surplus	14,065	13,647
Accumulated deficit	(119,375)	(114,777)
Accumulated other comprehensive loss	(9,954)	(10,953)
	111,701	114,891
TOTAL EQUITY	111,692	115,006
TOTAL LIABILITIES AND EQUITY	\$ 129,326	\$ 137,004

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 December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars except share and net income or loss per share amounts)

	Three months ended	
	2022	2021
REVENUES (Note 11)	\$ 38,165	\$ 107,757
TRANSACTION COSTS	28,374	79,007
OPERATING EXPENSES (Note 6)	13,200	23,139
AMORTIZATION	1,045	1,182
OTHER NON-OPERATING COSTS	-	46
RESTRUCTURING EXPENSES	1,349	-
INTEREST EXPENSE	52	75
INTEREST INCOME	(111)	(15)
NET FOREIGN EXCHANGE LOSS	1,000	502
LOSS ON FAIR VALUE OF DERIVATIVES (Note 10)	13	-
GAIN ON FAIR VALUE OF WARRANTS (Note 8)	-	(158)
(LOSS) INCOME BEFORE INCOME TAX (RECOVERY) EXPENSE	(6,757)	3,979
INCOME TAX (RECOVERY) EXPENSE		
Current	140	497
Deferred	(2,278)	846
TOTAL INCOME TAX (RECOVERY) EXPENSE	(2,138)	1,343
NET (LOSS) INCOME	(4,619)	2,636
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to net income or loss:		
Foreign currency translation adjustment	999	453
COMPREHENSIVE (LOSS) INCOME	\$ (3,620)	\$ 3,089
NET (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (4,596)	\$ 2,670
NET LOSS - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ (23)	\$ (34)
COMPREHENSIVE (LOSS) INCOME - ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (3,597)	\$ 3,123
COMPREHENSIVE LOSS - ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	\$ (23)	\$ (34)
Net (loss) income per weighted average share, basic (Note 5)	\$ (0.06)	\$ 0.03
Net (loss) income per weighted average share, diluted (Note 5)	\$ (0.06)	\$ 0.03
Weighted average number of shares outstanding (thousands), basic (Note 5)	72,693	78,666
Weighted average number of shares outstanding (thousands), diluted (Note 5)	72,693	79,772

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 December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars)

	Three months ended	
	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING		
OPERATING		
Net (loss) income	\$ (4,619)	\$ 2,636
Items not affecting cash		
Stock-based compensation (Note 9)	468	306
Amortization of intangibles	357	346
Amortization of property and equipment	688	836
Interest expense	52	75
Loss on fair value of derivatives (Note 10)	13	-
Gain on fair value of warrants (Note 8)	-	(158)
Income tax (recovery) expense	(2,138)	1,343
Unrealized foreign exchange loss on internal financing arrangements	940	392
Changes in non-cash working capital items (Note 7)	6,361	16,541
Interest paid	(52)	(75)
Income taxes paid	(2,500)	(3,468)
Cash (utilized in) generated from operating activities	(430)	18,774
INVESTING		
Intangible asset additions	(111)	-
Property and equipment additions	(153)	(192)
Payments received from sublease	67	-
Cash utilized in investing activities	(197)	(192)
FINANCING		
Proceeds from lease liabilities (Note 8)	146	13
Repayment of lease liabilities (Note 8)	(423)	(424)
Proceeds from the exercise of stock options, net of issue costs	-	16
Purchase of common shares and related costs (Note 4)	(11)	(5,087)
Dividends paid to non-controlling interests	(139)	-
Cash utilized in financing activities	(427)	(5,482)
Effect of foreign currency translation on cash and cash equivalents	28	25
NET CASH (OUTFLOW) INFLOW	(1,026)	13,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	46,142	60,213
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45,116	\$ 73,338
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash and cash equivalents are comprised of:		
Cash	\$ 20,598	\$ 37,523
Cash equivalents	24,518	35,815
	\$ 45,116	\$ 73,338

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 December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars)

	Non- controlling interests	Common shares	Restricted shares	Contributed surplus	Accumu- lated deficit	Accumu- lated other comprehen- sive loss	Total equity
Balance at September 30, 2022	\$ 115	\$ 227,285	\$ (311)	\$ 13,647	\$ (114,777)	\$ (10,953)	\$ 115,006
Net loss	(23)				(4,596)		(4,619)
Dividends paid to non-controlling interests	(139)						(139)
Stock-based compensation				456			456
Purchase of common shares and related costs (Note 4)		(9)			(2)		(11)
Dissolution of partially owned subsidiary	38			(38)			-
Foreign currency translation adjustment						999	999
Balance at December 31, 2022	\$ (9)	\$ 227,276	\$ (311)	\$ 14,065	\$ (119,375)	\$ (9,954)	\$ 111,692

	Non- controlling interests	Common shares	Restricted shares	Contributed surplus	Accumu- lated deficit	Accumu- lated other comprehen- sive loss	Total equity
Balance at September 30, 2021	\$ 108	\$ 246,377	\$ -	\$ 12,206	\$ (94,185)	\$ (4,955)	\$ 159,551
Net (loss) income	(34)				2,670		2,636
Common shares issued on the exercise of stock options		21		(5)			16
Common shares issued on the exercise of warrants		237					237
Stock-based compensation (Note 9)				306			306
Purchase of common shares and related costs (Note 4)		(2,206)			(2,881)		(5,087)
Foreign currency translation adjustment						453	453
Balance at December 31, 2021	\$ 74	\$ 244,429	\$ -	\$ 12,507	\$ (94,396)	\$ (4,502)	\$ 158,112

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 December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

1. Nature of Operations

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

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

2. Basis of Presentation and Significant Accounting Policies

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

Statement of compliance

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

These financial statements were authorized for issue by the board of directors on January 26, 2023.

Use of estimates and judgments

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

Summary of Significant Accounting Policies

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

Cash and cash equivalents

Included in cash is \$1,750 (September 30, 2022 - \$nil) set aside by the Company to demonstrate that it has sufficient liquidity to support the settlement of its total return swap arrangement.

Restricted share units

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

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

Derivative financial instruments

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

3. Recent Accounting Pronouncements

Classification of Liabilities as Current or Non-Current

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

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

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

Narrow-scope amendments to IAS 1 and IAS 8

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

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

These amendments are effective 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 Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

4. Shareholders' Equity

Effective June 13, 2022, the Company received approval from the Toronto Stock Exchange ("TSX") to renew its normal course issuer bid ("NCIB") for a one-year period expiring on June 12, 2023. Under the renewed NCIB, the Company is approved to purchase up to 6,000 common shares. Daily purchases made on the TSX, or through alternative Canadian trading systems, are limited to a maximum of 99,319 common shares. The Company is permitted to purchase a block of common shares once a week which can exceed the daily purchase limit subject to certain restrictions, including a limitation that the block cannot be owned by an insider. All shares purchased will be cancelled.

For the three months ended December 31, 2022, 3 common shares (2021 – 715) were purchased and cancelled at a total cost of \$11 (2021 - \$5,087). As of January 26, 2023, no additional common shares were purchased, cancelled or settled.

5. Net (Loss) Income per Weighted Average Share

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

	Three months ended December 31	
	2022	2021
Net (loss) income	\$ (4,619)	\$ 2,636
Net (loss) income attributable to common shareholders	\$ (4,596)	\$ 2,670
Weighted average number of shares, basic	72,693	78,666
Dilutive effect of stock options, equity-settled RSUs and warrants ⁽¹⁾	-	1,106
Weighted average number of shares, diluted	72,693	79,772
Net (loss) income per weighted average share, basic	\$ (0.06)	\$ 0.03
Net (loss) income per weighted average share, diluted	\$ (0.06)	\$ 0.03

Note

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

6. Operating Expenses

	Three months ended December 31	
	2022	2021
Operating expenses:		
Salaries and benefits	\$ 9,603	\$ 18,250
Sales and marketing	298	342
Travel and entertainment	152	133
Office and computer	2,104	2,946
Professional fees	545	766
Other	498	702
	\$ 13,200	\$ 23,139

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

7. Changes in Non-Cash Working Capital Items

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

Inflow (outflow)	Three months ended December 31	
	2022	2021
Trade and other receivables	\$ 9,751	\$ 19,403
Prepaid expenses	711	518
Trade payables	(3,273)	(2,367)
Accrued charges	(843)	(1,048)
Effect of foreign currency translation adjustments and other non-cash changes	15	35
	\$ 6,361	\$ 16,541

8. Changes in Liabilities Arising from Financing Activities

	Three months ended December 31, 2022						
	Cash flows				Non-cash changes		
	Opening balance - October 1, 2022	Proceeds	Re-payments	Change in fair value	Effect of foreign currency translation	Other non-cash changes	Ending balance - December 31, 2022
Lease liabilities	\$ 5,860	146	(423)	-	3	-	\$ 5,586

	Three months ended December 31, 2021						
	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 - December 31, 2021
Lease liabilities	\$ 8,043	13	(424)	-	2	-	\$ 7,634
Warrant liabilities	\$ 651	-	-	(158)	5	(237)	\$ 261

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

9. Stock-Based Compensation

Stock options

The Company did not grant any stock options during the three months ended December 31, 2022.

The following table outlines changes to stock options:

			Three months ended December 31	
			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	4,426	\$ 8.47	4,578	\$ 8.91
Exercised, during the period	-	\$ -	(5)	\$ 4.26
Forfeited, during the period	(67)	\$ 11.69	(36)	\$ 17.40
Outstanding balance, end of period	4,359	\$ 8.42	4,537	\$ 8.84
Stock options exercisable, end of period	3,979	\$ 8.34	4,046	\$ 8.10

The Company recorded stock-based compensation expense attributable to stock options of \$86 (2021 - \$306) to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three months ended December 31, 2022.

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The following table summarizes certain information for stock options outstanding as at December 31, 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	1.82	525
\$ 3.18 – \$ 4.26	543	2.92	543
\$ 4.27 – \$ 5.67	260	2.85	243
\$ 5.68 – \$ 6.25	733	2.36	733
\$ 6.26 – \$ 7.44	490	4.92	220
\$ 7.45 – \$ 11.48	289	3.76	289
\$ 11.49 – \$ 12.89	411	3.94	404
\$ 12.90 – \$ 13.50	711	4.36	711
\$ 13.51 – \$ 31.94	397	4.76	311
	4,359	3.47	3,979

Restricted Share Units (“RSUs”)

The Company granted the following RSUs during the three months ended December 31, 2022:

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

The following table outlines changes to RSUs:

	Three months ended December 31	
	2022	2021
	Number of RSUs	Number of RSUs
Outstanding balance, beginning of year	182	-
Granted, during the period	652	-
Settled, during the period	-	-
Forfeited, during the period	-	-
Outstanding balance, end of period	834	-
Vested, but not settled, end of period	164	-

At December 31, 2022, 101 common shares were held in trust to settle future obligations under the 2022 Equity Plan.

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

The Company recorded stock-based compensation expense attributable to RSUs of \$382 (2021 - \$nil), including fair value changes in RSUs classified as liabilities, to operating expenses in the condensed consolidated statements of operations and comprehensive (loss) income for the three months ended December 31, 2022.

The total carrying amount of liabilities for cash-settled RSUs at December 31, 2022 was \$13 (September 30, 2022 - \$nil) and recorded in Other Liabilities.

10. Financial Instruments

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

	December 31, 2022	September 30, 2022
Financial liabilities		
<i>Derivatives not designated in a hedging relationship</i>		
Non-current - other liabilities - total return swap	\$ 13	\$ -

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

	December 31, 2022			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un- observable inputs (Level 3)	Total
Other liabilities - total return swap	\$ -	\$ 13	\$ -	\$ 13
	\$ -	\$ 13	\$ -	\$ 13

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

For the three months ended December 31, 2022 and 2021, there were no transfers between levels or changes to the valuation techniques.

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

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

Total return swaps

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

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

Total return swaps

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

The contractual maturities of the Company's derivatives are as follows:

	December 31, 2022				
	Payments due				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Total return swap	\$ 13	\$ -	\$ 13	\$ -	\$ -

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

Estimated fair value

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

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

11. Segmented Reporting

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

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

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

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

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

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

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

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

	Three months ended December 31	
	2022	2021
Revenues		
U.S. Appraisal	\$ 28,260	\$ 79,335
U.S. Title	2,361	16,195
Canada	7,544	12,227
	\$ 38,165	\$ 107,757
Revenues net of transaction costs		
U.S. Appraisal	\$ 7,624	\$ 16,352
U.S. Title	820	10,753
Canada	1,347	1,645
	\$ 9,791	\$ 28,750
Amortization		
U.S. Appraisal	\$ 155	\$ 281
U.S. Title	790	768
Canada	-	-
Corporate	100	133
	\$ 1,045	\$ 1,182
Operating expenses	\$ 13,200	\$ 23,139
Other non-operating costs	\$ -	\$ 46
Restructuring expenses	\$ 1,349	\$ -
Interest expense	\$ 52	\$ 75
Interest income	\$ (111)	\$ (15)
Net foreign exchange loss	\$ 1,000	\$ 502
Loss on fair value of derivatives	\$ 13	\$ -
Gain on fair value of warrants	\$ -	\$ (158)
(Loss) income before income tax (recovery) expense	\$ (6,757)	\$ 3,979

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

	December 31, 2022			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 4,559	\$ -	\$ 189	\$ 4,748
Goodwill	\$ 43,181	\$ -	\$ -	\$ 43,181
Property and equipment	\$ 6,084	\$ -	\$ 351	\$ 6,435
	September 30, 2022			
	U.S.	Canada	Corporate	Total
Intangibles	\$ 4,893	\$ -	\$ 99	\$ 4,992
Goodwill	\$ 43,181	\$ -	\$ -	\$ 43,181
Property and equipment	\$ 6,524	\$ -	\$ 440	\$ 6,964

Real Matters Inc.

Notes to the Condensed Consolidated Financial Statements

For the periods ended December 31, 2022 and 2021 (unaudited - stated in thousands of U.S. dollars and shares, except per share amounts, unless otherwise stated)

Revenues by service type

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

	Three months ended December 31	
	2022	2021
Appraisal	\$ 34,930	\$ 90,643
Title - mortgage origination	2,132	15,664
Title - diversified	229	531
Insurance inspection	874	919
	\$ 38,165	\$ 107,757

12. Seasonality

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