



THE REAL BROKERAGE INC.

Interim Condensed Consolidated Financial Statements

For the period ended June 30, 2022

(Unaudited)

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Interim Condensed Consolidated Financial Statements (Unaudited): | |
| Interim Condensed Consolidated Statements of Financial Positions | 2 |
| Interim Condensed Consolidated Statements of Loss and Other Comprehensive Loss | 3 |
| Interim Condensed Consolidated Statements of Changes in Equity | 4 |
| Interim Condensed Consolidated Statement of Cash Flows | 5 |
| Notes to the Interim Condensed Consolidated Financial Statements | 6-25 |

THE REAL BROKERAGE, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS
(Expressed in thousands of U.S. dollars)
UNAUDITED

| | <i>Unaudited</i> | <i>Audited</i> |
|--|----------------------|--------------------------|
| | June 30, 2022 | December 31, 2021 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 32,520 | \$ 29,082 |
| Restricted cash | - | 47 |
| Investments in available-for-sale securities at fair value | 4,429 | 8,811 |
| Trade receivables | 240 | 254 |
| Other receivables | 66 | 23 |
| Prepaid expenses and deposits | 1,299 | 448 |
| TOTAL CURRENT ASSETS | 38,554 | 38,665 |
| NON-CURRENT ASSETS | | |
| Intangible assets | 395 | 451 |
| Goodwill | 12,527 | 602 |
| Property and equipment | 754 | 170 |
| Right-of-use assets | 67 | 109 |
| TOTAL NON-CURRENT ASSETS | 13,743 | 1,332 |
| TOTAL ASSETS | 52,297 | 39,997 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 12,124 | 6,604 |
| Other payables | 15,103 | 3,351 |
| Lease liabilities | 86 | 91 |
| TOTAL CURRENT LIABILITIES | 27,313 | 10,046 |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | - | 40 |
| Accrued stock-based compensation | 6,319 | 2,268 |
| Warrants outstanding | 254 | 639 |
| TOTAL NON-CURRENT LIABILITIES | 6,573 | 2,947 |
| TOTAL LIABILITIES | 33,886 | 12,993 |
| EQUITY | | |
| EQUITY ATTRIBUTABLE TO OWNERS | | |
| Share Premium | 63,537 | 63,397 |
| Stock-based compensation reserves | 10,836 | 6,725 |
| Deficit | (38,648) | (30,127) |
| Other Reserves | (346) | (347) |
| Treasury Stock, at cost | (17,103) | (12,644) |
| EQUITY ATTRIBUTABLE TO OWNERS | 18,276 | 27,004 |
| Non-controlling interests | 135 | - |
| TOTAL EQUITY | 18,411 | 27,004 |
| TOTAL LIABILITIES AND EQUITY | 52,297 | 39,997 |

THE REAL BROKERAGE, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in thousands of U.S. dollars, except for per share amounts)
UNAUDITED

| | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | \$ 112,356 | 23,095 | 174,005 | 32,404 |
| Cost of Sales | 103,064 | 20,667 | 158,851 | 28,739 |
| Gross Profit | 9,292 | 2,428 | 15,154 | 3,665 |
| General and administrative expenses | 6,116 | 2,819 | 11,490 | 5,124 |
| Marketing expenses | 5,700 | 1,214 | 9,416 | 1,864 |
| Research and development expenses | 1,680 | 1,185 | 2,719 | 3,180 |
| Operating Loss | (4,204) | (2,790) | (8,471) | (6,503) |
| Other income | (257) | - | (436) | - |
| Finance expenses, net | 208 | 158 | 372 | 268 |
| Net Loss | (4,155) | (2,948) | (8,407) | (6,771) |
| Non-controlling interest (NCI) | 53 | - | 114 | - |
| Net Loss Attributable to the Owners of the Company | (4,208) | (2,948) | (8,521) | (6,771) |
| <i>Other comprehensive income/(loss):</i> | | | | |
| Unrealized loss on available for sale investment portfolio | (116) | - | (393) | - |
| Foreign currency translation adjustment | 190 | - | 394 | - |
| Comprehensive Loss Attributable to Owners of the Company | \$ (4,134) | (2,948) | (8,520) | (6,771) |
| Comprehensive Income Attributable to NCI | 53 | - | 114 | - |
| Comprehensive Loss | \$ (4,081) | (2,948) | (8,406) | (6,771) |
| <i>Loss per share</i> | | | | |
| Basic and diluted loss per share | \$ (0.02) | (0.03) | (0.05) | (0.06) |
| Weighted-average shares, basic and diluted | 178,330 | 110,655 | 178,330 | 110,655 |

THE REAL BROKERAGE, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(U.S. dollar in thousands)
UNAUDITED

| | Share Premium | Stock-Based Compensation Reserve | Foreign Exchange Translation Reserve | Investments Revaluations Reserve | Deficit | Treasury Stock | Non- Controlling Interests | Total Equity (Deficit) |
|--|------------------|--|---|--|-----------------|-------------------|----------------------------------|---------------------------|
| Balance at, January 1, 2021 | 21,668 | 2,760 | - | - | (18,448) | - | 14,818 | 20,798 |
| Total loss and comprehensive loss | - | - | - | - | (6,771) | - | - | (6,771) |
| Exercise of warrants | 26,475 | - | - | - | - | - | - | 26,475 |
| Acquisitions of commons shares for Restricted Share Unit (RSU) plan | (919) | - | - | - | - | - | - | (919) |
| Exercise of stock options | 10 | - | - | - | - | - | - | 10 |
| Equity-settled share-based payment | - | 4,616 | - | - | - | - | - | 4,616 |
| Balance at, June 30, 2021 | 47,234 | 7,376 | - | - | (25,219) | - | 14,818 | 44,209 |
| Balance at, January 1, 2022 | 63,397 | 6,725 | 5 | (352) | (30,127) | (12,644) | - | 27,004 |
| Total loss | - | - | - | - | (8,521) | - | 114 | (8,407) |
| Total other comprehensive loss | - | - | 394 | (393) | - | - | - | 1 |
| Acquisitions of commons shares for Restricted Share Unit (RSU) plan | - | - | - | - | - | (5,692) | - | (5,692) |
| Release of vested common shares from employee benefit trusts | 93 | - | - | - | - | 1,233 | - | 1,326 |
| Adjustment arising from change in non-controlling interest | - | - | - | - | - | - | 21 | 21 |
| Exercise of stock options | 47 | - | - | - | - | - | - | 47 |
| Equity-settled share-based payment | - | 4,111 | - | - | - | - | - | 4,111 |
| Balance at, June 30, 2022 | 63,537 | 10,836 | 399 | (745) | (38,648) | (17,103) | 135 | 18,411 |

THE REAL BROKERAGE, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(U.S. dollar in thousands)
UNAUDITED

| | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|--|------------------------------------|---------------|----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| OPERATING ACTIVITIES | | | | |
| Net Loss | \$ (4,155) | (2,948) | (8,407) | (6,771) |
| Adjustments for: | | | | |
| Depreciation | 135 | 44 | 138 | 86 |
| Equity-settled share-based payment transactions | 274 | 1,868 | 1,211 | 4,616 |
| Unrealized loss on short-term investments | (277) | - | - | - |
| Gain on short-term investments | (62) | - | (135) | - |
| Finance costs, net | 100 | 158 | 209 | 268 |
| <i>Changes in operating asset and liabilities:</i> | | | | |
| Restricted cash | 47 | - | 47 | - |
| Trade receivables | 111 | 518 | 14 | (92) |
| Other receivables | 21 | 1 | (43) | 198 |
| Prepaid expenses and deposits | 149 | (12) | (851) | (86) |
| Accounts payable and accrued liabilities | 4,071 | 622 | 5,520 | 2,429 |
| Accrued stock compensation | 2,481 | 205 | 4,051 | 312 |
| Other payables | (1,583) | 250 | 11,752 | 256 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,312 | 706 | 13,506 | 1,216 |
| INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | (249) | (29) | (625) | (43) |
| Acquisition of subsidiary (<i>Note 4 and Note 6</i>) | - | - | (7,445) | (1,100) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (249) | (29) | (8,070) | (1,143) |
| FINANCING ACTIVITIES | | | | |
| Investment in securities | 3,989 | (8,857) | 3,989 | (8,857) |
| Proceeds from exercise of Warrants | - | 26,475 | - | 26,475 |
| Purchase of common shares for Restricted Share Unit (RSU) Plan | (1,180) | (919) | (5,692) | (919) |
| Proceeds from exercise of stock options | 24 | 10 | 47 | 10 |
| Payment of lease liabilities | (22) | (21) | (45) | (41) |
| Cash distribution for non-controlling interest | (43) | - | (43) | - |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 2,768 | 16,688 | (1,744) | 16,668 |
| Net change in cash and cash equivalents | 3,831 | 17,365 | 3,692 | 16,741 |
| Cash and equivalents, beginning of year | 28,941 | 20,527 | 29,082 | 21,226 |
| Effect of exchange rate changes on cash and cash equivalents | (252) | 12 | (254) | (63) |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 32,520 | 37,904 | 32,520 | 37,904 |
| SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES | | | | |
| Cash grants payable as part of Expetitle acquisition | \$ - | - | 75 | - |
| Share-based compensation as part of Expetitle acquisition | \$ - | - | 4,325 | - |
| Release of vested common shares from benefit trusts | \$ 764 | - | 1,326 | - |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

1. GENERAL INFORMATION

The Real Brokerage Inc. (“**Real**” or the “**Company**”) is a technology-powered real estate brokerage firm, licensed in over 44 U.S. states, the District of Columbia, and 2 provinces in Canada with over 5,600 agents. Real offers agents a mobile focused tech-platform to run their business, as well as attractive business terms and wealth building opportunities.

The consolidated operations of Real include the wholly-owned subsidiaries of Real Technology Broker Ltd. incorporated on June 29, 2014 in Israel, Real PIPE, LLC incorporated on November 5, 2020 under the laws of the state of Delaware, Real Broker MA, LLC incorporated on July 11, 2018 under the laws of the state of Delaware, Real Broker CT, LLC incorporated on July 11, 2018 under the laws of the state of Delaware, Real Broker, LLC (formerly Realtyka, LLC) incorporated on October 17, 2014 under the laws of the state of Texas, Real Broker Commercial LLC incorporated on July 29, 2019 under the laws of the state of Texas, The Real Title Inc. incorporated on January 1, 2021 under the laws of the state of Delaware, Real Broker BC Ltd. incorporated on February 23, 2021 in the province of British Columbia, Real Broker AB Ltd. incorporated on February 23, 2021 in the province of Alberta, and Real Broker ON Ltd incorporate on August 27 2021 in the province of Ontario.

On May 17, 2021, the TSX Venture Exchange (the “**TSXV**”) accepted the Company’s Notice of Intention to implement a normal course issuer bid (“**NCIB**”). Pursuant to the NCIB, the Company may, during the 12-month period commencing May 20, 2021 and ending May 20, 2022, purchase up to 7,170 common shares of the Company (“**Common Shares**”), constituting approximately 5% of the total 143,404 Common Shares issued and outstanding as of April 30, 2021.

The Company appointed CWB Trust Services (the “**Trustee**”) as the trustee for the purposes of arranging the acquisition of Common Shares and to hold the Common Shares in trust for the purposes of satisfying restricted share unit (each, an “**RSU**”) payments as well as deal with other administration matters. Through the Trustee, RBC Capital Markets has been engaged to undertake purchases under the NCIB. RBC Capital Markets is required to comply with the TSXV and the NASDAQ Capital Market (“**NASDAQ**”) NCIB rules in respect of the purchases of Common Shares as the Trustee is a non-independent trustee by the TSXV for the purposes of the NCIB rules.

The Common Shares acquired will be held by the Trustee until the same are sold in the market with the proceeds to be transferred to designated participants or until the Common Shares are delivered to designated participants, in each case under the terms of the Company’s equity incentive plans to satisfy the Company’s obligations in respect of redemptions of vested RSUs held by such designated participants. See *Note 10.D* for more information. A total of 812 Common Shares have been released from the trust to satisfy the Company’s obligations in respect of redemptions of vested RSU held by designated participants.

On May 19, 2022, the Company announced that it is renewing the NCIB to be transacted through the facilities of the NASDAQ Capital Market (“**NASDAQ**”) and other stock exchanges and/or alternative trading systems in the United States and/or Canada (other than the TSXV), if eligible. Pursuant to the NCIB, Real may purchase up to 8,915 common shares of the Company, representing approximately 5% of the total 178,309 Common Shares issued and outstanding as of May 19, 2022.

As of June 30, 2022, the Company has repurchased 7,089 Common Shares in the amount of \$18,336. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares to satisfy the RSU Plan (see Note 10(D) for more information). The NCIB shall terminate on the earlier of May 20, 2023 and the date on which the maximum number of Common Shares purchasable under the NCIB is acquired by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2021.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

A. Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the period ended December 31, 2021. These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 9, 2022.

B. Significant judgments, estimates and assumptions

The preparation of Real's unaudited interim condensed consolidated financial statements require management to make judgments, estimates and assumptions that affect the amounts reported. In the process of applying Real's accounting policies, management was required to apply judgment in certain areas. Estimates and assumptions made by management are based on events and circumstances that existed at the unaudited interim condensed consolidated balance sheet date. Accordingly, actual results may differ from these estimates.

The significant judgments, estimates and assumptions in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the years ended December 31, 2021 and 2020.

3. PIPE TRANSACTION

On December 2, 2020, the Company completed an equity investment in private equity funds indirectly controlled by Insight Holdings Group, LLC (the "**Insight Partners**") for gross proceeds of USD \$20 million (approximately CAD \$26.28 million)

Insight Partners were issued 17,287 preferred units (the "**Preferred Units**") of a newly and wholly owned subsidiary of the Company, Real PIPE, LLC formed under the laws of the State of Delaware, that were exchangeable into the same number of Common Shares and 17,287 Common Share purchase warrants of the Company that were exercisable for Common Shares ("**Warrants**"). Each Warrant entitled the holder to subscribe and purchase one Common Share at an exercise price of \$1.48 (CAD \$1.9) for a period of 5 years, subject to certain acceleration terms.

On June 15, 2021, in connection with the listing of Real's common shares on the NASDAQ, Real delivered an Acceleration Notice to certain funds managed by Insight Partners providing for the acceleration of the expiry date to June 30, 2021, of an aggregate 17,287, previously issued Warrants. All Warrants held by Insight Partners were exercised into Common Shares for gross proceeds of \$26.6 million (CAD \$32.8 million) on June 28, 2021.

On August 3, 2021, Insight Partners were issued an aggregate of 17,287 Common Shares in exchange of the Insight Partners' Preferred Units in connection with the Forced Exchange Event.

4. REALTYCRUNCH ACQUISITION

On January 11, 2021, Real completed the acquisition of the business assets and intellectual property of RealtyCrunch Inc. (the "**RealtyCrunch Transaction**"). The RealtyCrunch Transaction was settled in cash for an aggregate purchase price of USD \$1,100 plus 184 Common Share purchase warrants of Real. Each warrant is exercisable into one Common Share at a price of CAD \$1.36 for a period of four years. In connection with the RealtyCrunch Transaction, Real also granted 2,441 stock options ("**Options**"), which vest over a 4-year period. The Company has determined that the acquisition meets the definition of business combinations within the scope of IFRS 3, Business Combination and has completed the determination to allocate the price among the assets purchased and amount attributable to goodwill. The expense incurred related to the acquisition was \$38 for the year ended December 31, 2021.

The following table summarizes the fair value of the acquired assets and assumed liabilities, with reference to the acquisition as of the acquisition date:

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

| | Balance at January 11, 2021 |
|--|------------------------------------|
| Identifiable assets acquired and goodwill | |
| Proprietary Technology | 563 |
| Goodwill | 602 |
| Total Purchase Price | 1,165 |
| Cash Paid | 1,100 |
| Warrants Issued | 65 |

We have completed the valuation of the acquired assets and assumed liabilities and have assigned \$563 as the fair value of the Company’s developed technology and \$602 as the residual goodwill.

5. SCOTT BENSON REAL ESTATE INC.

On December 3, 2021, Real completed the acquisition of the common shares of Scott Benson Real Estate Inc in Ontario, Canada. The transaction was settled in nominal cash consideration for an aggregate purchase price of one CAD Dollar. The Company has determined that the acquisition meets the definition of business combinations within the scope of IFRS 3, Business Combination and recorded an immaterial gain from bargain purchase. The Company has 12 months from the date of purchase to determine the purchase price allocation among the purchased assets and liabilities assumed and do not expect material adjustments to the bargain gain that was recognized.

6. EXPETITLE ACQUISITION

On January 21, 2022, the Company completed the acquisition of 100% of the issued and outstanding equity interests of Expetitle, Inc. (“**Expetitle**”) pursuant to a stock purchase agreement dated January 20, 2022 (the “**Expetitle Transaction**”). As part of the Expetitle Transaction, the Company also acquired 51% ownership of five subsidiaries of Expetitle Inc. The noncontrolling ownership interest in these five subsidiaries of Expetitle recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$21. The aggregate purchase price for 100% of the issued and outstanding equity interests of Expetitle was comprised from cash consideration of \$7,432 payable at the closing of the Expetitle Transaction and contingent consideration of \$800 in cash subject to escrow, that will be released after twelve (12) months upon the satisfaction or waiver of the following terms and conditions: (i) the key employees remain at their current position with the Company for at least twelve (12) months after the Closing Date and (ii) Expetitle will become licenced to operate in at least fifteen states, including the current states of operation, Florida, Georgia, and Texas. Such contingent consideration was assessed as zero as we believe that it is probable that these conditions will not be met.

As part of the Expetitle transaction, Real also granted an aggregate of 700 Options and an aggregate of 1,100 RSUs to members of the Expetitle team. The fair value of those options was \$4,776 from which \$4,325 was determined to be part of the consideration and \$451 that was recorded immediately to the statement of loss and comprehensive loss as post transaction employees compensation which vests immediately. The Options are exercisable for a period of 3 years at \$3.60 per Common Share. In addition, and as part of the transaction, the Company also provided cash grants to the Expetitle Inc. employees in the amount of \$168. The Company has determined that the Expetitle Transaction meets the definition of business combinations within the scope of IFRS 3, Business Combination and has 12 months from the date of purchase to determine the purchase price allocation among the assets purchased and any amounts attributable to goodwill.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

| | Balance at January 21, 2022 |
|---|------------------------------------|
| <i>Recognized amounts of assets acquired and liabilities assumed</i> | |
| Cash | 80 |
| Other Current Assets | 42 |
| In Trust Cash | 960 |
| Accounts Payables and Accrued Liabilities | (103) |
| Held in Trust Funds | (960) |
| Payables Other | (19) |
| <i>Net Assets Acquired</i> | - |
| <i>Consideration</i> | |
| Cash | 7,432 |
| Contingent consideration | - |
| Cash grants to Employees recognized as liabilities | 75 |
| Cash grants to Employees | 93 |
| Equity-settled shared-based consideration | 4,325 |
| <i>Total Consideration</i> | 11,925 |
| <i>Cash Flow</i> | |
| Total Consideration | (11,925) |
| Acquired Cash | 80 |
| Cash grants to Employees recognized as liabilities | 75 |
| Equity-settled share-based payment | 4,325 |
| <i>From Investing Activities Cash</i> | (7,445) |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

7. REVENUE

In the following table, revenue from contracts with customers is disaggregated by major service lines as well as timing of revenue recognition.

| | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|--|------------------------------------|---------------|----------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| <i>Main revenue streams</i> | | | | |
| Commissions | 110,999 | 22,927 | 171,505 | 32,186 |
| Title | 506 | - | 908 | - |
| Fee Income | 639 | - | 1,085 | - |
| Other | 212 | 168 | 507 | 218 |
| Total Revenue | 112,356 | 23,095 | 174,005 | 32,404 |
| <i>Timing of Revenue Recognition</i> | | | | |
| Products transferred at a point in time | 112,144 | 22,927 | 173,498 | 32,186 |
| Revenue from Contracts with Customers | 112,144 | 22,927 | 173,498 | 32,186 |
| Other revenue | 212 | 168 | 507 | 218 |
| Total Revenues | 112,356 | 23,095 | 174,005 | 32,404 |

8. EXPENSES BY NATURE

In the following table, cost of sales represents real estate commission paid to Company's agent as well as to outside brokerages in Canada and Title Fee Expenses.

| | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|---|------------------------------------|---------------|----------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cost of Sales | 103,064 | 20,667 | 158,851 | 28,739 |
| Operating Expenses | | | | |
| <i>General and Administrative Expenses</i> | 6,116 | 2,819 | 11,490 | 5,124 |
| Salaries and Benefits | 2,656 | 1,095 | 4,821 | 1,164 |
| Stock Based Compensation | 931 | 1,062 | 2,052 | 2,035 |
| Administrative Expenses | 471 | 53 | 822 | 126 |
| Professional Fees | 1,552 | 526 | 2,971 | 1,401 |
| Depreciation Expense | 135 | 44 | 138 | 86 |
| Other General and Administrative Expenses | 371 | 39 | 686 | 312 |
| <i>Marketing Expenses</i> | 5,700 | 1,214 | 9,416 | 1,864 |
| Salaries and Benefits | 171 | 75 | 283 | 173 |
| Stock Based Compensation for Employees | (27) | - | (16) | - |
| Stock Based Compensation for Agents | 547 | 272 | 1,129 | 479 |
| Revenue Share | 4,376 | 697 | 7,078 | 958 |
| Other Marketing and Advertising Cost | 633 | 170 | 942 | 254 |
| <i>Research and Development Expenses</i> | 1,680 | 1,185 | 2,719 | 3,180 |
| Salaries and Benefits | 734 | 130 | 1,126 | 522 |
| Stock Based Compensation | (7) | 710 | 66 | 2,278 |
| Other Research and Development | 953 | 345 | 1,527 | 380 |
| Total Cost of Sales and Operating Expenses | 116,560 | 25,885 | 182,476 | 38,907 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

Finance Expenses

The following table summarizes details behind Finance costs as reported in the unaudited interim condensed consolidated Statement of Income (Loss)

| Description | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|-------------------------------|------------------------------------|-------------|----------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Unrealized Losses (Gains) | (132) | 109 | (385) | 210 |
| Realized Losses (Gains) | 1 | - | 53 | - |
| Bank Fees | 108 | 16 | 163 | 23 |
| Finance Cost | 232 | 33 | 541 | 35 |
| Other | (1) | - | - | - |
| Total Finance Expenses | 208 | 158 | 372 | 268 |

9. LOSS PER SHARE

BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing net income (loss) less any preferred dividends for the period by the weighted average number of shares of common stock outstanding plus, if potentially dilutive common shares outstanding during the period. The Company does not pay dividends or have participating shares outstanding.

| | <i>Three Months Ended June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Issued ordinary shares at the beginning of the period | 174,746 | 101,847 | 170,483 | 101,847 |
| Effect of Warrant Exercise | 3,584 | 8,808 | 7,847 | 8,808 |
| Weighted-average numbers of ordinary shares | 178,330 | 110,655 | 178,330 | 110,655 |
| Loss per share | | | | |
| Basic and diluted loss per share | (0.02) | (0.03) | (0.05) | (0.06) |

10. SHARE-BASED PAYMENT ARRANGEMENTS

A. Description of share-based payment arrangements

Stock option plan (equity-settled)

On January 20, 2016, the Company established a stock-option plan that entitles key management personnel and employees to purchase shares in the Company. Under the stock-option plan, holders of vested options are entitled to purchase shares based for the exercise price as determined at grant date.

On February 26, 2021, the Company established an omnibus incentive plan providing for up to 20% of the issued and outstanding Common Shares as of the date thereof (being 35,641 Common Shares, less Common Shares previously

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

outstanding under other equity incentive plans) to be issued as RSUs or Options to directors, officers, employees, and consultants of the Company (the “**Omnibus Incentive Plan**”). The Omnibus Incentive was approved by shareholders of the Company on June 13, 2022.

| Grant Date | Number of Instruments | Vesting Conditions | Contractual Life of Options |
|----------------------------------|-----------------------|---|-----------------------------|
| Balance December 31, 2020 | 13,813 | | |
| On January, 2020 | 60 | 25% on first anniversary, then quarterly vesting | 10 years |
| On March, 2020 | 244 | immediate | 10 years |
| On March, 2020 | 100 | quarterly vesting | 10 years |
| On March, 2020 | 250 | 25% on first anniversary, then quarterly vesting | 10 years |
| On January, 2021 | 2,441 | 25% immediately, 25% on first anniversary, then quarterly vesting | 10 years |
| On January, 2021 | 165 | 25% on first anniversary, then quarterly vesting | 10 years |
| On January, 2021 | 1,670 | quarterly vesting | 10 years |
| On March, 2021 | 241 | 25% on first anniversary, then quarterly vesting | 10 years |
| On March, 2021 | 114 | quarterly vesting | 10 years |
| On May, 2021 | 190 | 25% on first anniversary, then quarterly vesting | 10 years |
| On May, 2021 | 705 | 3 years quarterly | 10 years |
| On August, 2021 | 65 | 25% on first anniversary, then quarterly vesting | 10 years |
| On August, 2021 | 450 | quarterly vesting | 10 years |
| On November, 2021 | 1,220 | 25% on first anniversary, then quarterly vesting | 10 years |
| On November, 2021 | 559 | 3 years quarterly | 10 years |
| Balance December 31, 2021 | 22,287 | | |
| On March, 2022 | 240 | 3 years quarterly vest | 10 years |
| On May, 2022 | 320 | 3 years quarterly vest | 10 years |
| Balance June 30, 2022 | 22,847 | | |

B. Measurement of fair value

The fair value of the Options has been measured using the Black-Scholes formula which was also used to determine the Company's share value. Service and non-market performance conditions attached to the arrangements were not considered in measuring fair value. The inputs used in the measurement of the fair value at the grant and measurement date were as follows:

| | June 30, 2022 | December 31, 2021 |
|--|------------------|-------------------|
| Share price | \$ 1.52 | \$ 3.69 |
| Exercise price | \$1.87 to \$2.88 | \$0.87 to \$3.40 |
| Expected volatility (weighted-average) | 108.0% | 156.0% |
| Expected life (weighted-average) | 10 years | 10 years |
| Expected dividends | - % | - % |
| Risk-free interest rate (based on US government bonds) | 1.95 – 2.30% | 1.45% |

Expected volatility has been based on an evaluation of historical volatility of the company’s share price.

C. Reconciliation of outstanding stock-options

| | June 30, 2022 | | December 31, 2021 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted-Average Exercise Price | Number of Options | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 20,815 | \$ 0.81 | 12,851 | \$ 0.27 |
| Granted | 560 | 2.12 | 8,474 | 1.70 |
| Forfeited/ Expired | (1,668) | (1.80) | (370) | - |
| Exercised | (148) | (0.32) | (140) | (0.13) |
| Outstanding at end of period | 19,559 | \$ 0.68 | 20,815 | \$ 0.71 |
| Exercisable as at end of period | 12,152 | | 10,295 | |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

The stock-options outstanding as of June 30, 2022 had a weighted average exercise price of \$0.68 (December 31, 2021: \$0.71) and a weighted-average contractual life of 10 years (December 31, 2021: 10 years).

D. Restricted share unit plan

Restricted share unit plan

On September 21, 2020, the Company established a restricted share unit plan (the “**RSU Plan**”). Under the RSU Plan agents are eligible to receive RSUs that, upon vesting, entitle the holder to a Common Share or cash payment in lieu of a Common Share. The RSUs are earned in recognition of personal performance and ability to attract agents to Real. The expense recognized in relation to these awards for the period ended June 30, 2022 was \$2,020. The stock compensation attributable to agent growth was classified as marketing expense. The stock compensation award granted to FTEs was classified as a General and Administrative expense on the unaudited interim condensed consolidated statements of loss and comprehensive loss.

RSUs awarded in the agent incentive program purchase plan are based on a percentage of commission withheld to purchase Common Shares. These RSUs are expensed in the period in which those awards are deemed to be earned with a corresponding increase in liability. All awards under this plan are subject to a 12-month vesting period. The liability will be classified into equity after the 12-month holding period has passed. The Company will grant an additional 25% of shares if an agent hasn’t capped and 50% of shares if the agent has capped as a bonus after the 12-month vesting period has passed. The bonuses were adjusted to 15% pre-cap and 30% post-cap when the Company surpassed the 5,000 agents milestone on June 16, 2022. Agents pay the Company 15% of commissions until the commission paid to the Company totals \$12, which is defined as the agent “cap” amount (the “Cap”). The bonus RSUs are expensed in the period the original award is deemed earned with a corresponding increase in stock-based compensation reserve.

RSUs awarded for personal performance and the ability to attract agents earned in recognition of personal performance conditions and are subject to a 3-year vesting period. The Company recognizes this expense during the applicable vesting period based upon the best available estimate of the number of equity instruments expected to vest with a corresponding increase in stock-based compensation reserve.

The following table illustrates changes in the Company’s stock compensation liability for the periods presented:

| | Amount |
|--|---------------|
| Balance at, December 31, 2020 | 15 |
| Stock Grant Liability Increase | 2,482 |
| Stock Grants Released from liability to equity | (229) |
| Balance at, December 31, 2021 | 2,268 |
| Stock Grant Liability Increase | 5,284 |
| Stock Grants Released from liability to equity | (1,233) |
| Balance at, June 30, 2022 | 6,319 |

The following table illustrates the Company’s stock activity (in units) for the restricted share unit plan.

| | Amount |
|--------------------------------------|---------------|
| Balance at, December 31, 2020 | 121 |
| Granted | 3,951 |
| Vested and Issued | (76) |
| Forfeited | (31) |
| Balance at, December 31, 2021 | 3,965 |
| Granted | 5,335 |
| Vested and Issued | (622) |
| Forfeited | (238) |
| Balance at, June 30, 2022 | 8,440 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

The following table provides a detailed breakdown of the stock-based compensation expense as reported in the Consolidated Statement of Loss and Comprehensive Loss.

Stock Based Compensation Expense

| | June 30, 2022 | | | June 30, 2021 | | |
|---|----------------------------|------------------------|--------------|----------------------------|------------------------|--------------|
| | <i>Options Expense</i> | <i>RSU Expense</i> | <i>Total</i> | <i>Options Expense</i> | <i>RSU Expense</i> | <i>Total</i> |
| Marketing Expenses – Agent Stock Based Compensation | 520 | 609 | 1,129 | 315 | 165 | 480 |
| Marketing Expenses – FTE Stock Based Compensation | (16) | - | (16) | - | - | - |
| Research and Development – FTE Stock Based Compensation | 23 | 43 | 66 | 2,278 | - | 2,278 |
| General and Administrative – FTE Stock Based Compensation | 684 | 1,368 | 2,052 | 2,035 | - | 2,035 |
| Total Stock Based Compensation | 1,211 | 2,020 | 3,231 | 4,628 | 165 | 4,793 |

11. CASH

| | June 30, 2022 | December 31, 2021 |
|-------------------|---------------|-------------------|
| Cash | 32,520 | 29,082 |
| Restricted Cash | - | 47 |
| Total Cash | 32,520 | 29,129 |

12. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES AT FAIR VALUE

| Description | Cost | Deposit / (Withdrawal) | Dividends, Interest & Income | Gross Unrealized Losses | Estimated Fair Value June 30, 2022 |
|-------------------------------|--------------|---------------------------|------------------------------------|-------------------------------|--|
| U.S. Government Bonds | 5,033 | (3,905) | 101 | (196) | 1,033 |
| Municipal Bonds | 2,900 | (258) | 34 | (166) | 2,510 |
| Alternative Strategies | 878 | - | - | (31) | 847 |
| Investment Certificate | - | 39 | - | - | 39 |
| Short Term Investments | 8,811 | (4,124) | 135 | (393) | 4,429 |

Investment securities are recorded at fair value. The company's investment securities portfolio consists primarily of cash investments and debt securities issued by U.S government agencies, local municipalities, and certain corporate entities. Alternative strategies include number of securities such as Bank Loans, Treasury Notes, Treasury futures, Currencies, FX Forwards, FX Futures, FX Swap, Corporate Debt, Federal Reserve Repos and mortgage-backed securities. The products in investment portfolio have maturity dates ranging from less than one year to over 20 years.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility, and liquidity conditions. Net unrealized gains and losses in the portfolio are included in Other Comprehensive Income (Loss). An unrealized loss exists when the current fair value of an individual security is less than the amortized cost basis.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

13. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS

Reconciliation of Carrying Amounts

| | Computer Equipment | Software | Furniture and Equipment | Total |
|---------------------------------|-------------------------------|-----------------|------------------------------------|--------------|
| <i>Cost</i> | | | | |
| Balance at December 31, 2020 | 33 | - | 69 | 102 |
| Additions | 172 | - | - | 172 |
| Balance at December 31, 2021 | 205 | - | 69 | 274 |
| Additions | 223 | 400 | - | 625 |
| Balance at June 30, 2022 | 428 | 400 | 69 | 899 |
| <i>Accumulated Depreciation</i> | | | | |
| Balance at December 31, 2020 | 24 | - | 64 | 88 |
| Depreciation | 15 | - | 1 | 16 |
| Balance at December 31, 2021 | 39 | - | 65 | 104 |
| Depreciation | 32 | 8 | - | 40 |
| Balance at June 30, 2022 | 71 | 8 | 65 | 144 |
| <i>Carrying Amounts</i> | | | | |
| Balance at December 31, 2021 | 166 | - | 4 | 170 |
| Balance at June 30, 2022 | 358 | 392 | 4 | 754 |

| | Intangible Assets | Goodwill | Total |
|---------------------------------|--------------------------|-----------------|---------------|
| <i>Cost</i> | | | |
| Balance at December 31, 2020 | - | - | - |
| Additions | 563 | 602 | 1,165 |
| Balance at December 31, 2021 | 563 | 602 | 1,165 |
| Additions | - | 11,925 | 11,925 |
| Balance at June 30, 2022 | 563 | 12,527 | 13,090 |
| <i>Accumulated Depreciation</i> | | | |
| Balance at December 31, 2020 | - | - | - |
| Depreciation | 113 | - | 113 |
| Balance at December 31, 2021 | 113 | - | 113 |
| Depreciation | 55 | - | 55 |
| Balance at June 30, 2022 | 168 | - | 168 |
| <i>Carrying Amounts</i> | | | |
| Balance at December 31, 2021 | 451 | 602 | 1,053 |
| Balance at June 30, 2022 | 395 | 12,527 | 12,922 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

14. CAPITAL AND RESERVES

Share capital and share premium

All Common Shares rank equally with regards to the Company's residual assets. Preference shareholders participate only to the extent of the face value of the shares.

| | <i>Share Premium</i> | | <i>Non-controlling Interests</i> | | <i>Non-redeemable Preference Shares</i> | |
|--|----------------------|--------------------------|----------------------------------|--------------------------|---|--------------------------|
| | June 30, 2022 | December 31, 2021 | June 30, 2022 | December 31, 2021 | June 30, 2022 | December 31, 2021 |
| In issue at beginning of year | 50,753 | 21,668 | - | 14,818 | - | - |
| Issued for cash | - | 26,475 | - | - | - | - |
| Conversion | - | 14,818 | - | (14,818) | - | - |
| Exercise of stock options | 47 | 207 | - | - | - | - |
| Acquisition of common shares for RSU Plan | (5,692) | (12,644) | - | - | - | - |
| Release of vested common shares from employee benefit trusts | 1,326 | 229 | - | - | - | - |
| Non-controlling interest | - | - | 135 | - | - | - |
| In issue at end of year – fully paid | 46,434 | 50,753 | 135 | - | - | - |
| Authorized (thousands of shares) | Unlimited | Unlimited | Unlimited | Unlimited | 66,000 | 66,000 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

Share Consolidation and Share Split

On May 26, 2021, the Company consolidated all of its issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for each four (4) pre-consolidation Common Shares.

On July 12, 2021, the Company implemented a forward split of all of its issued and outstanding Common Shares on the basis of four (4) post-split Common Shares for each one (1) pre-split Common Share.

Non- controlling interests

On December 2, 2020, the Company completed the Insight Partners investment whereby a wholly owned subsidiary of the Company issued 17,287 Preferred Units at a price of \$1.19 (CAD \$1.52) per Preferred Unit. The Company also issued 17,287 common share purchase warrants (each, a “**Warrant**”), each exercisable into one Common Share at a price of \$1.48 (CAD \$1.9)

On June 28, 2021, all Warrants held by the Insight Partners were exercised for an aggregate gross price of \$26.6 million (CAD \$32.8 million)

On August 3, 2021, the Insight Partners were issued an aggregate of 17,287 Common Shares in the exchange of all of the Preferred Units.

On January 21, 2022, the Company completed the acquisition of 100% of the issued and outstanding equity interests of Expetitle. As part of this transaction, the company also acquired non-controlling interest of \$21 which includes the income/ (loss) allocated to non- controlling interest holders of certain subsidiaries of Expetitle.

15. CAPITAL MANAGEMENT

Real defines capital as its equity. It is comprised of common shares, contributed capital, retained deficit, and accumulated other comprehensive loss. The Company’s capital management framework is designed to maintain a level of capital that funds the operations and business strategies and builds long-term shareholder value.

The Company’s objective is to manage its capital structure in such a way as to diversify its funding sources, while minimizing its funding costs and risks. The Company expects to be able to satisfy all of its financing requirements through use of some or all of the following: cash on hand, cash generated by operations, sale of securities held for investment, and through the public and private offerings of equity securities.

Real’s objective is met by retaining adequate liquidity to provide the possibility that cash flows from its assets will not be sufficient to meet operational, investing and financing requirements. There have been no changes to the Company’s capital management policies during the periods ended June 30, 2022 and December 31, 2021.

The following table presents the Company’s liquidity:

| | <i>For the Period Ended</i> | |
|------------------------|-----------------------------|--------------------------|
| | June 30, 2022 | December 31, 2021 |
| Cash | 32,520 | 29,082 |
| Restricted Cash | - | 47 |
| Trade Receivables | 240 | 254 |
| Other Receivables | 66 | 23 |
| Short Term Investments | 4,429 | 8,811 |
| Total Liquidity | 37,225 | 38,217 |
| Loans and Borrowings | - | - |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

16. LEASE LIABILITY AND RIGHT OF USE ASSET

The Company subleases corporate office in New York, NY under a lease agreement dated December 1, 2017, which expires on June 30, 2023. A summary of the changes in the right-of-use asset for the periods ended June 30, 2022, and December 31, 2021 is as follows:

| | Right-of-Use Asset |
|---------------------------------|---------------------------|
| Cost | |
| Balance at December 31, 2020 | 502 |
| Additions | - |
| Balance at December 31, 2021 | 502 |
| Additions | - |
| Balance at June 30, 2022 | 502 |
| Accumulated Depreciation | |
| Balance at December 31, 2020 | 309 |
| Depreciation | 84 |
| Balance at December 31, 2021 | 393 |
| Depreciation | 42 |
| Balance at June 30, 2022 | 435 |
| Carrying Amounts | |
| Balance at December 31, 2021 | 109 |
| Balance at June 30, 2022 | 67 |

On December 1, 2017, the Company entered into lease agreement which resulted in the lease liability of \$131 (undiscounted value of \$135, discount rate 4%). This liability represents the monthly lease payment from January 1, 2022 to June 30, 2023. A summary of the changes in the lease liability during the periods ended June 30, 2022, and December 31, 2021 is as follows:

| | June 30, 2022 | December 31, 2021 |
|--|----------------------|--------------------------|
| Maturity analysis – contractual undiscounted cash flows | | |
| Less than one year | 86 | 94 |
| One year to five years | - | 41 |
| More than five years | - | - |
| Total undiscounted lease liabilities | 86 | 135 |
| Lease liabilities included in the balance sheet | 86 | 131 |
| Current | 86 | 91 |
| Non-current | - | 40 |

The following is a schedule of the Company's future lease payments (base rent portion) under lease obligations:

| | Future lease payments |
|--|------------------------------|
| July 1, 2022 to June 30, 2023 | 86 |
| Less: imputed interest | - |
| Lease liability as at June 30, 2022 | 86 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

17. OTHER PAYABLES

The other payables primarily consist of escrow funds payables. This is the cash held in escrow by the company's brokers and agents on behalf of real estate buyers. The company recognizes a corresponding customer deposit liability until the funds are released.

| | June 30, 2022 | December 31, 2021 |
|-----------------------------|----------------------|--------------------------|
| Escrow Funds Payables | 14,546 | 3,264 |
| Other Payables | 557 | 91 |
| Total Other Payables | 15,103 | 3,351 |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

18. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

A. Accounting classifications and fair value

| | <i>For the Year Ended December 31, 2021</i> | | | | |
|---|---|--------------------------------|---------------|-------------------|--------------|
| | Carrying Amount | | | Fair Value | |
| | Financial Assets Not Measured at FV | Other Financial Liabilities | Total | Level 1 | Total |
| <i>Financial Assets Measured at Fair Value (FV)</i> | | | | | |
| Short Term Investments | - | - | - | 8,811 | 8,811 |
| Total Financial Assets Measured at Fair Value (FV) | - | - | - | 8,811 | 8,811 |
| <i>Financial Assets Not Measured at Fair Value (FV)</i> | | | | | |
| Cash | 29,082 | - | 29,082 | - | - |
| Restricted Cash | 47 | - | 47 | - | - |
| Trade Receivables | 254 | - | 254 | - | - |
| Other Receivables | 23 | - | 23 | - | - |
| Total Financial Assets Not Measured at Fair Value (FV) | 29,406 | - | 29,406 | - | - |
| <i>Financial Liabilities Not Measured at Fair Value (FV)</i> | | | | | |
| Accounts Payable | - | 6,604 | 6,604 | - | - |
| Other Payables | - | 3,351 | 3,351 | - | - |
| Total Financial Liabilities Not Measured at Fair Value (FV) | - | 9,955 | 9,955 | - | - |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

| | <i>For the Period Ended June 30, 2022</i> | | | | |
|---|---|--------------------------------|---------------|-------------------|--------------|
| | Carrying Amount | | | Fair Value | |
| | Financial Assets Not Measured at FV | Other Financial Liabilities | Total | Level 1 | Total |
| <i>Financial Assets Measured at Fair Value (FV)</i> | | | | | |
| Short Term Investments | - | - | - | 4,429 | 4,429 |
| Total Financial Assets Measured at Fair Value (FV) | - | - | - | 4,429 | 4,429 |
| <i>Financial Assets Not Measured at Fair Value (FV)</i> | | | | | |
| Cash | 32,520 | - | 32,520 | - | - |
| Trade Receivables | 240 | - | 240 | - | - |
| Other Receivables | 66 | - | 66 | - | - |
| Total Financial Assets Not Measured at Fair Value (FV) | 32,826 | - | 32,826 | - | - |
| <i>Financial Liabilities Not Measured at Fair Value (FV)</i> | | | | | |
| Accounts Payable | - | 12,124 | 12,124 | - | - |
| Other Payables | - | 15,103 | 15,103 | - | - |
| Total Financial Liabilities Not Measured at Fair Value (FV) | - | 27,227 | 27,227 | - | - |

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

B. Transfers between levels

During the periods ended June 30, 2022, and December 31, 2021, there have been no transfers between Level 1, Level 2 and Level 3.

C. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk (see (ii));
- liquidity risk (see (iii));
- market risk (see (iv)); and
- investment risk (see (v)).

i. Risk management framework

The Company's activity exposes it to a variety of financial risks, including credit risk, liquidity risk, market risk and investment risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department, within the policies and guidelines.

On an ongoing basis, the finance department actively monitors the market conditions, with a view of minimizing exposure of the Company to changing market factors, while at the same time limiting the funding costs of the Company.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

ii. Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The receivables are processed through an intermediary trustee, as part of the structure of every deal, which ensures collection on the close of a successful transaction. In order to mitigate the residual risk, the Company contracts exclusively with reputable and credit-worthy partners.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different CGUs based on the following common credit risk characteristics – geographic region, credit information about the customer and the type of home purchased.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, compared to current conditions of the Company's view of economic conditions over the expected lives of the receivables.

The carrying amount of financial assets and contract assets represents the maximum credit exposure.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

Trade receivables and contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers other factors may influence the credit risk of the customer base, including the default risk associated with the industry and the country in which the customers operate.

The Company does not require collateral in respect to trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

As at June 30, 2022, the exposure to credit risk for trade receivables and contract asset by geographic region was as follows:

| | June 30, 2022 | December 31, 2021 |
|--------------------------|----------------------|--------------------------|
| US | 210 | 230 |
| Other Regions | 30 | 24 |
| Trade Receivables | 240 | 254 |

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Company's approach to maintaining liquidity is to ensure, as far as possible, that it will have sufficient cash and cash equivalents and other liquid assets to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

iv. Market risk

Market risk is the risk that changes according to market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to transactional foreign currency risk to the extent there is a mismatch between currencies in which purchases and receivables are denominated and the respective functional currencies of the Company. The currencies in which transactions are primarily denominated are US dollars, Israeli shekel, and Canadian dollar.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US dollar (USD), Israeli shekel (ILS), or Canadian Dollar (CAD) against all other currencies in which the Company operates as of June 30, 2022, and December 31, 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

| | <i>Average Rate</i> | | <i>Period-end Spot Rate</i> | |
|--------------------------------------|----------------------|------------------|-----------------------------|------------------|
| | Strengthening | Weakening | Strengthening | Weakening |
| Balance at, June 30, 2022 | | | | |
| CAD (-5% movement) | 21 | (21) | 26 | (26) |
| ILS (-5% movement) | 21 | (21) | 68 | (68) |
| Balance at, December 31, 2021 | | | | |
| CAD (-5% movement) | 43 | (43) | 4 | (4) |
| ILS (-5% movement) | 39 | (39) | 54 | (54) |

Foreign Currency Risk Management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | <i>Liabilities</i> | | <i>Assets</i> | |
|-----------------------|----------------------|--------------------------|----------------------|--------------------------|
| | June 30, 2022 | December 31, 2021 | June 30, 2022 | December 31, 2021 |
| CAD | (13,007) | (1,331) | 13,182 | 3,291 |
| ILS | (69) | (1,420) | 7,899 | 191 |
| Total Exposure | (13,076) | (2,751) | 21,081 | 3,482 |

v. *Investment risk*

The Company invested funds from the Insight Partners investment transaction into a managed investment portfolio, exposing it to risk of losses based on market fluctuations. Securities are purchased on behalf of the Company and are actively managed through multiple investment accounts. Funds apportioned for investment are allocated accordingly to the investment guidelines set forth by Management. Investments are made in U.S. currency.

The Company follows a conservative investment approach with limited risk for investment activities and has allocated the funds in Level 1 assets to reduce market risk exposure.

Information about the Company's investment activity is included in *Note 13*.

19. COMMITMENTS AND CONTINGENCIES

The Company may have various other contractual obligations in the normal course of operations. The Company is not contingently liable with respect to litigation, claims and environmental matters, including those that could result in mandatory damages or other relief. Any expected settlement of claims in excess of amounts recorded will be charged to profit or loss as and when such determination is made.

THE REAL BROKERAGE, INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022 and 2021
(U.S. dollar in thousands unless otherwise noted)
UNAUDITED

20. KEY MANAGEMENT PERSONNEL

The Company's key management personnel are comprised of the CEO, the CFO, the Chief Technology Officer, and other members of the executive team. Executive officers participate in the Company's Omnibus Incentive Plan (see Note 10). Directors and officers of the Company control approximately 38.11% of the voting shares of the Company. Key management personnel compensation for the period consists of the following:

| | <i>Period Ended</i> | |
|--|----------------------|----------------------|
| | June 30, 2022 | June 30, 2021 |
| Salaries and Benefits | 1,009 | 614 |
| Consultancy | - | 180 |
| Stock-based Compensation | 642 | 3,076 |
| Compensation Expenses Related to Management | 1,651 | 3,870 |

21. SUBSEQUENT EVENTS

On July 26, 2022, the Company's Common Shares commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "REAX". Concurrent to the graduation to the TSX, the Common Shares were voluntarily delisted from the TSXV. Trading of the Common Shares will continue on the NASDAQ under the same symbol, "REAX".