

Real

2021
ANNUAL REPORT
AND MD&A

CORPORATE OVERVIEW

Founded in 2014 and headquartered in New York City, Real is a technology-powered real estate brokerage. Real is on a mission to always find ways to make agents' lives better, creating financial opportunities for agents through a better agent plan, best-in-class technology, revenue sharing and equity.

COMPANY METRICS



635%

ANNUAL REVENUE

Annual revenue increased 635% to \$121.7 million in 2021 from \$16.60 million in 2020 and increased 612% to 50.4 million in Q4 2021.



415%

GROSS PROFIT

Gross profit grew 415% to \$11 million in 2021 and increased 449% to \$4.1 million in the fourth quarter of 2021.



182%

REVENUE PER AGENT

Revenue per agent grew 182% to \$31.6 thousand in 2021 compared to \$11.2 thousand in 2020 and increased 173% to \$13.1 thousand in Q4 2021 compared to Q4 2020.



161%

AGENTS

Surpassed 3,850 agents December 2021, a 161% increase since December 2020.



303%

CASH FLOW

Cash flow from operations increased by 303% to \$1.6 million in Q4 2021.



84%

TRANSACTIONS

Transactions per agent grew to 6.1 in 2021, an 84% increase compared to 2.99 in 2020.

DEAR SHAREHOLDER,

2021 was a transformative year for Real. Our annual revenue increased 635% to \$121.7 million in 2021 from \$16.6 million in 2020. We surpassed 3,850 agents in December 2021, a 161% increase since December 2020. Today, that number is more than 4,700. And we opened in 18 new states, bringing Real's current reach to 44 states, the District of Columbia, and Ontario and Alberta, Canada. This increased demand for our services over the past year required us to hire fast, rebuild our tech stack, and expand our leadership team. We're excited to see this momentum, and we are doubling-down on what makes us most attractive to agents: superior economics, a tech platform that streamlines their business, and an unparalleled collaborative culture.

One way we've been able to secure such significant growth is our understanding of a changing real estate brokerage industry. The old ways of doing business are no longer working. Innovative models are gaining momentum in the brokerage space, and a growing number of agents are entering the profession. Disruptive technology and more tech-savvy customers have shifted emphasis to the consumer, and Real is ideally positioned in this evolving marketplace.

This is why we partner so closely with agents. Agents are the central hub of the homebuying experience, and they understand today's consumers. Consumers want it all: the convenience, speed, transparency, and control of a digital transaction—all coupled with the knowledge, experience, and guidance of a human agent. Consumers want user-friendly tech, but they also want someone to walk them through the process to enhance the experience. This is what Real aims to provide.

Real estate is the largest asset class in the world. Over the next few years, we will be seeking to deliver a product that will change the way people buy and sell homes, while allowing us to maximize the monetization opportunities of real estate transactions driven by our agents' relationships with their clients.

It's the dawn of a new era at Real, and we're just getting started.

Sincerely,



A stylized, handwritten signature in black ink, consisting of several sweeping lines that form the name 'Tamir Poleg'.

TAMIR POLEG

Chairman and Chief Executive Officer
The Real Brokerage Inc.

[This page intentionally left blank.]



THE REAL BROKERAGE INC.

Consolidated Financial Statements

December 31, 2021

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Report of Independent Registered Public Accounting Firm (PCAOB ID No. 1197)..... | 2 |
| Consolidated Statements of Financial Positions | 3 |
| Consolidated Statements of Loss and Other Comprehensive Loss | 4 |
| Consolidated Statements of Changes in Equity | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements..... | 7-39 |



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Real Brokerage Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of The Real Brokerage Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows, for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Brightman Almagor Zohar & Co.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in The Deloitte Global Network

Tel Aviv, Israel
March 18, 2022

We have served as the Company's auditor since 2014.

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

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

| | <i>For the Year Ended</i> | |
|--|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 29,082 | \$ 21,226 |
| Restricted cash | 47 | 47 |
| Investments in available-for-sale securities at fair value | 8,811 | - |
| Trade receivables | 254 | 117 |
| Other receivables | 23 | 221 |
| Prepaid expenses and deposits | 448 | 89 |
| TOTAL CURRENT ASSETS | 38,665 | 21,700 |
| NON-CURRENT ASSETS | | |
| Intangible assets | 451 | - |
| Goodwill | 602 | - |
| Property and equipment | 170 | 14 |
| Right-of-use assets | 109 | 193 |
| TOTAL NON-CURRENT ASSETS | 1,332 | 207 |
| TOTAL ASSETS | 39,997 | 21,907 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 6,604 | 815 |
| Other payables | 3,351 | 64 |
| Lease liabilities | 91 | 85 |
| TOTAL CURRENT LIABILITIES | 10,046 | 964 |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 40 | 130 |
| Accrued stock-based compensation | 2,268 | 15 |
| Warrants outstanding | 639 | - |
| TOTAL NON-CURRENT LIABILITIES | 2,947 | 145 |
| TOTAL LIABILITIES | 12,993 | 1,109 |
| EQUITY | | |
| EQUITY ATTRIBUTABLE TO OWNERS | | |
| Share Premium | 63,397 | 21,668 |
| Stock-based compensation reserves | 6,725 | 2,760 |
| Deficit | (30,127) | (18,448) |
| Other Reserves | (347) | - |
| Treasury Stock, at cost | (12,644) | - |
| EQUITY ATTRIBUTABLE TO OWNERS | 27,004 | 5,980 |
| Non-controlling interests | - | 14,818 |
| TOTAL EQUITY | 27,004 | 20,798 |
| TOTAL LIABILITIES AND EQUITY | 39,997 | 21,907 |

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

| | <i>For the Year Ended</i> | |
|--|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Revenues | \$ 121,681 | \$ 16,559 |
| Cost of Sales | 110,587 | 14,405 |
| Gross Profit | 11,094 | 2,154 |
| General and administrative expenses | 10,573 | 3,658 |
| Marketing expenses | 7,808 | 905 |
| Research and development expenses | 3,979 | 405 |
| Other income | (249) | (168) |
| Operating Loss | (11,017) | (2,646) |
| Listing expenses | - | 835 |
| Finance expenses | 662 | 174 |
| Net Loss | (11,679) | (3,621) |
| <i>Other comprehensive income/(loss):</i> | | |
| Unrealized losses on available for sale investment portfolio | (352) | - |
| Foreign currency translation adjustment | 5 | - |
| Comprehensive loss | \$ (12,026) | \$ (3,621) |
| <i>Loss per share</i> | | |
| Basic and diluted loss per share | \$ (0.07) | \$ (0.04) |
| Weighted-average shares, basic and diluted | 170,483 | 101,847 |

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

| | 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, 2020 | 1,265 | 1,622 | - | - | (14,827) | - | - | (11,940) |
| Total loss and comprehensive loss | - | - | - | - | (3,621) | - | - | (3,621) |
| Shares issued to former ADL shareholders | 271 | - | - | - | - | - | - | 271 |
| Increase in ADL shares and options | 459 | - | - | - | - | - | - | 459 |
| Shares issued via private placement | 1,588 | - | - | - | - | - | - | 1,588 |
| Conversion of series A shares | 11,750 | - | - | - | - | - | - | 11,750 |
| Conversion of convertible debt | 250 | - | - | - | - | - | - | 250 |
| Exercise of stock options | 2 | - | - | - | - | - | - | 2 |
| Shares issued via private placement | 500 | - | - | - | - | - | - | 500 |
| Shares issued via Pipe transaction | - | - | - | - | - | - | 14,818 | 14,818 |
| Warrants issued via Pipe transaction | 5,583 | - | - | - | - | - | - | 5,583 |
| Equity-settled share-based compensation | - | 1,138 | - | - | - | - | - | 1,138 |
| Balance at, December 31, 2020 | 21,668 | 2,760 | - | - | (18,448) | - | 14,818 | 20,798 |
| Balance at, January 1, 2021 | 21,668 | 2,760 | - | - | (18,448) | - | 14,818 | 20,798 |
| Total loss and comprehensive loss | - | - | 5 | (352) | (11,679) | - | - | (12,026) |
| Exercise of warrants | 26,475 | - | - | - | - | - | - | 26,475 |
| Acquisitions of commons shares for Restricted Share Unit (RSU) plan | - | - | - | - | - | (12,644) | - | (12,644) |
| Release of vested common shares from employee benefit trusts | 229 | - | - | - | - | - | - | 229 |
| Conversion of preferred shares into common shares | 14,818 | - | - | - | - | - | (14,818) | - |
| Exercise of stock options | 207 | - | - | - | - | - | - | 207 |
| Equity-settled share-based payment | - | 3,965 | - | - | - | - | - | 3,965 |
| Balance at, December 31, 2021 | 63,397 | 6,725 | 5 | (352) | (30,127) | (12,644) | - | 27,004 |

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

| | <i>For the Year Ended</i> | |
|--|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| OPERATING ACTIVITIES | | |
| Total loss and comprehensive loss | \$ (12,026) | \$ (3,621) |
| Adjustments for: | | |
| Depreciation | 213 | 91 |
| Equity-settled share-based payment transactions | 4,030 | 1,138 |
| Listing expenses | | 459 |
| Gain on available-for-sale investment portfolio | (223) | - |
| Unrealized loss on available-for-sale investment portfolio | 352 | |
| Finance expenses | 565 | 140 |
| Stock compensation payable (RSU) | 2,253 | 15 |
| <i>Changes in operating asset and liabilities:</i> | | |
| Trade receivables | (137) | (61) |
| Other receivables | 198 | (211) |
| Prepaid expenses and deposits | (359) | (56) |
| Accounts payable and accrued liabilities | 5,789 | 479 |
| Other payables | 3,287 | 24 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 3,942 | (1,603) |
| INVESTING ACTIVITIES | | |
| Investments in available-for-sale securities | (8,940) | - |
| Purchase of property and equipment | (172) | (16) |
| Acquisition of subsidiaries consolidated for the first time | (1,099) | - |
| NET CASH USED IN INVESTING ACTIVITIES | (10,211) | (16) |
| FINANCING ACTIVITIES | | |
| Proceeds from private placement | - | 2,088 |
| Additional proceeds from Qualifying Transaction (Note 4) | - | 321 |
| Proceeds from exercise of warrants | 26,475 | - |
| Proceeds from Pipe Transaction | - | 20,401 |
| Proceeds from issuance of convertible debt | - | 250 |
| Purchase of common shares for Restricted Share Unit (RSU) Plan | (12,644) | - |
| Proceeds from exercise of stock options | 207 | - |
| Payment of lease liabilities | (84) | (127) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 13,954 | 22,933 |
| Net change in cash and cash equivalents | 7,685 | 21,314 |
| Cash and equivalents, beginning of year | 21,226 | 53 |
| Fluctuations in foreign currency | 171 | (141) |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 29,082 | \$ 21,226 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES: | | |
| Conversion of series A preferred | \$ - | \$ 11,750 |
| Increase in ROU against lease liabilities | \$ 84 | \$ 69 |
| Warrants liability from acquisition | \$ 65 | \$ - |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

1. GENERAL INFORMATION

The Real Brokerage Inc. (“Real” or the “Company”) is a technology-powered real estate brokerage firm, licensed in over 40 U.S. states, the District of Columbia, and 2 provinces in Canada with over 3,850 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, Real Broker BC Ltd. incorporated on February 23, 2021 in the province of British Columbia and Real Broker AB Ltd. incorporated on February 23, 2021 in the province of Alberta.

On January 11, 2021 Real completed the acquisition of the business assets and intellectual property of RealtyCrunch Inc. (“RealtyCrunch”). The transaction was settled in cash for an aggregate purchase price of USD \$1.1 million 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 this acquisition, Real also granted 2,441 stock options (“Options”), which vest over a 4-year period. The Company has determined the acquisition meets the definition of business combinations within the scope of IFRS 3, Business Combination and has completed the determination to allocate purchase price among the assets purchased and amount attributable to goodwill.

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**”), being approximately 5% of the total 143,404 Common Shares issued and outstanding as of April 30, 2021. The Company repurchased 4,906 of common shares in the amount of \$12,644 as of December 31, 2021. 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 11(D)) for more information. The NCIB shall terminate on the earlier of April 20, 2022 and the date on which the maximum number of Common Shares purchasable under the NCIB is acquired by the Company.

The Company appointed CWB Trust Services (the “Trustee”) as the trustee for the purposes of arranging for the acquisition of Common Shares and to hold the Common Shares in trust for the purposes of satisfying restricted share unit (“RSU”) payments 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 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 restricted share units (“RSUs”) held by such designated participants. (see *Note 11.D*) for more information.

On June 15, 2021 Real’s common shares began trading on the NASDAQ Capital Market (the “NASDAQ”) under the symbol “REAX”. Trading of the Common Shares will continue on the TSXV under the same symbol, ‘REAX’. The purpose of the NASDAQ listing is to enhance shareholder value through improved visibility and increased trading liquidity.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

On August 16, 2021, the Company announced it has launched its operations in Alberta, Canada as “Real Broker AB”, this marking the launch of its first international operations.

On December 3, 2021, Real completed the acquisition of the business assets and intellectual property of Scott Benson Real Estate Inc. in Ontario, Canada. The transaction was settled in cash for an aggregate purchase price of CAD \$1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented.

A. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2022.

B. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to December 31st each year. Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to ensure subsidiaries’ accounting policies are in line with Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

C. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the Company’s functional currency. All amounts have been rounded to the nearest thousands of dollars, unless otherwise noted.

D. Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the consolidated statement of loss and other comprehensive loss within accumulated other comprehensive loss.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Foreign operations

The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at exchange rates at the date of the transactions. When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

E. Operating segments

In measuring its performance, the Company does not distinguish or group its operations on a geographical or on any other basis, and accordingly has a single reportable operating segment. Management has applied judgment by consolidating its cost generating units (CGU) into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations, and an expectation of operating segments within a reportable segment, which have similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision maker, and regularly reviews operations and performance on an aggregated basis. The Company does not have any significant customers or any significant groups of customers.

F. Reclassification

Certain amounts in prior years consolidated financial statements have been reclassified to conform to the current year's presentation.

G. Revenue from contracts with customers

The Company generates substantially all its revenue from commissions from the sale of real estate properties. Other sources of revenue include fee income from the brokerage-platform and other revenues relating to auxiliary services.

The Company is contractually obligated to provide services for the fulfillment of transfer of real estate between agents, buyers, and sellers. The Company satisfies its performance obligations through closing of a transaction and provides services between the agents and buyers and sellers as a principal. Accordingly, the Company will recognize revenues in the gross amount of consideration, to which it expects to be entitled to.

Please see *Note 8* for more Information about the Company's revenues from contracts with customers.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue upon the satisfaction of its performance obligation when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| Type of product or service | Nature of timing of satisfaction of performance obligations including significant payment terms | Revenue recognition policies |
|---|---|---|
| Commissions from real estate contracts | Customers obtain control of real estate property on the closing date, which ordinarily when consideration is received | Revenue is recognized at a point in time as the purchase agreement is closed and the sale is executed |
| Service contracts with real estate agents | Under service contracts with real estate agents, they enroll in an annual subscription plan to use the tech-platform | Revenue is recognized over time as the company provides promised services to real estate agents on a paid subscription plan |

H. Share based compensation

The Company's real estate agents receive remuneration in the form of share-based compensation transactions, whereby those agents are entitled for restricted share units. In addition, the Company grants its employees and members of the board of directors remuneration in the form of share-based compensation transactions, whereby employees and the board of directors render services in consideration for equity instruments.

Share-based payment arrangements

The grant-date fair value excluding the effect of non-market equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Restricted share unit plan

Under the restricted share unit plan, eligible participants receive restricted share units (RSUs), which generally vest over a period of one to three years. The expense in relation to RSUs earned in recognition of personal performance conditions is recognized at grant-date fair value during the applicable vesting period based on the best available estimate of the number of equity instruments expected to vest with a corresponding increase in stock-based compensation reserve. The expense in relation to RSUs purchased in the agent stock purchase plan are recognized at grant-date fair value with a corresponding increase in liability. The liability is classified into equity after the 12 – month holding period has passed. Please see *Note 11* for more information about the Company's restricted share unit.

I. Income tax

Income tax expenses comprise of current and deferred tax. It is recognized in profit or loss, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax

Current tax comprises from expected payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using the tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Deferred tax

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- Temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

J. Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (significant components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditures

Subsequent expenditures are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

The estimated useful lives of property and equipment for current and comparative periods are as follows:

| | |
|-------------------------|-------------|
| Computer equipment: | 3 years |
| Furniture and fixtures: | 5-10 years. |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

K. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized on the Company's consolidated statements of financial position when Real becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification and subsequent measurement

Financial assets – Policy

On initial recognition, a financial asset is classified as measured at: fair value; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Financial assets – Business model assessment

The Company assesses the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and the expectations of future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses recognized in OCI and are never reclassified to profit or loss. |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and their net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows or the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented on the consolidated statements of financial position, only when the Company has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

L. Share capital

i. Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transactions costs of an equity transaction are accounted for in accordance with IAS 12.

ii. Preferred Shares

Preferred shares are the shares that pay a fixed dividend prior to any distributions to the holders of the issuer's common stock. This payment is typically cumulative, so any delayed prior payments must be paid to the preferred stockholders before distributions can be made to the holders of common stock. As of December 31, 2019, the Company's preference shares were classified as liability, due to the rights of the holders to require a cash settlement not within the control of the Company. On June 5, 2020, the 68,460 preferred shares were converted into equity. Please see *Note 4* for the conversion of preferred shares in the qualifying transaction. AAs of December 31, 2021, the Company does not have preferred shares. Please see *Note 5* for issuance of preferred shares in Real Pipe LLC.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

iii. Non – controlling interests

Non-controlling interest represents the portion of net income and net assets which the Company does not own, either directly or indirectly. It is presented as “Attributable to non-controlling interest” separately in the Consolidated Statements of Loss, and separately from shareholders’ equity in the Consolidated Statements of Financial Position.

M. Goodwill

Goodwill is the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed in a business combination. Goodwill is tested annually for impairment, or more regularly if certain indicators are present. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGU) that are expected to benefit from the synergies of the combination and represent the lowest level at which the goodwill is monitored for internal management purposes. The recoverable amount is the higher of the fair value less cost to sell and the value in use; where the value in use is the present value of the future cash flows. Goodwill is evaluated for impairment by comparing the recoverable amount of the Group’s operating segments to the carrying amount of the operating segments to which the goodwill relates. If the recoverable amount is less than the carrying amount an impairment charge is determined.

N. Impairment

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized in the consolidated statement of loss and other comprehensive loss consistent with the function of the assets, for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal each reporting period.

O. Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management’s best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

P. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements (i.e. changes in lease term) of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of assets that are less than \$5 per month including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Q. Business combinations

Business combinations are accounted for under the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations', are recognized at their fair value at the acquisition date, except certain assets and liabilities required to be measured as per the applicable standards.

Excess of fair value of purchase consideration and the acquisition date non-controlling interest over the acquisition date fair value of identifiable assets acquired and liabilities assumed is recognized as goodwill. Goodwill arising on acquisitions is reviewed for impairment annually. Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the Company assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the surplus is credited to the consolidated statements of profit or loss in the period of acquisition.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair value is made and any adjustments required to those provisional fair values are finalized within twelve months of the acquisition date.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called measurement period adjustments. The measurement period does not exceed twelve months from the acquisition date.

Any non-controlling interest in an acquiree is measured at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This accounting choice is made on a transaction-by-transaction basis.

Acquisition expenses are charged to consolidated statements of profit or loss.

If the Group acquires a group of assets in a company that does not constitute a business in accordance with IFRS 3, the cost of the acquired group of assets is allocated to the individual identifiable assets acquired based on their relative fair value.

R. Accounting policy development

Initial application of standards, interpretations and amendments to standards and interpretations

In August 2020, the International Accounting Standards Board issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The amendments are effective for periods beginning on or after January 1, 2021. Interest rate benchmarks such as interbank offer rates (IBORs) play an important role in global financial markets as they index a wide variety of financial products, including derivative financial instruments. Market developments have impacted the reliability of some existing benchmarks and, in this context, the Financial Stability Board has published a report setting out recommendations to reform such benchmarks. The Interest Rate Benchmark Reform—Phase 2 amendments focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when an interest rate benchmark used to calculate interest is replaced with an alternative benchmark rate; most significantly, there will be no requirement to derecognize or adjust the amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate. The effects of these amendments on our financial performance and disclosure will be dependent upon the facts and circumstances of future changes in the derivative financial instruments we use, if any, and any future changes in interest rate benchmarks, if any, referenced by such derivative financial instruments we use.

Standards, interpretations, and amendments to standards not yet effective and not yet applied

In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. We are currently assessing the impacts of the amended standards, but do not expect that our financial disclosure will be materially affected by the application of the amendments.

In May 2021, the International Accounting Standards Board issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. Based upon our current facts and circumstances, we do not expect our financial performance or disclosure to be materially affected by the application of the amended standard.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

S. Revenue Share

The Company has a revenue sharing plan where its agents and brokers can receive additional commission income from real estate transactions consummated by agents and brokers they have attracted to the Company. Agents and brokers are eligible for revenue share based on the number of qualifying active agents they have attracted to the Company. Revenue shares are included as part of Marketing Expenses in the consolidated statements of loss and other comprehensive loss.

T. Warrants Accounting

Warrants are a financial instrument that allow the holder to purchase stock of the issuer at a specified price during the warrant term. The Company classifies a warrant to purchase shares of its common stock as a liability on its consolidated balance sheets as this warrant is a free-standing financial instrument that may require the Company to transfer consideration upon exercise. Each warrant is initially recorded at fair value on date of grant using the Black-Scholes model and net of issuance costs, and it is subsequently re-measured to fair value at each subsequent balance sheet date. Changes in fair value of the warrant are recognized as a component of other income (expense), net in the consolidated statement of operations and comprehensive loss. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrant.

U. Intangible Assets

The Company's intangible assets are finite lived and consist primarily of trade name, technology and customer relationships. Each intangible asset is amortized on a straight-line basis over its useful life of 5 years. The Company evaluates its intangible assets for recoverability and potential impairment, or as events or changes in circumstances indicate the carrying value may be impaired.

V. Treasury Share

During the year ended December 31, 2021, the Company purchased 4,906 Common Shares which were classified as Treasury shares.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these consolidated financial statements, management has made judgments estimates and assumptions that affect the application of the Company's accounting policies which are described in *Note 2* and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

– *Deferred taxes*

Deferred tax assets are recognized only if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This judgment is made by management on an ongoing basis and is based on budgets and business plans for the coming years. These budgets and business plans are reviewed and approved by the Board of Directors. Since inception, the Company has reported losses, and consequently, the Company has unused tax losses. The deferred tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide any convincing positive evidence that deferred tax assets should be recognized. Therefore, management has concluded that deferred tax assets should not be recognized on December 31, 2021.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

– *Measurement of fair values*

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as a broker quotes or pricing services, is used to measure fair values, then the Company assesses the evidence obtained from third parties to support the conclusion of these valuations meet the requirements of the standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about assumptions made in measuring fair values is included in the following notes:

- *Note 11* – share-based payment arrangements; and
- *Note 19* – financial instruments.

4. QUALIFYING TRANSACTION

A. ADL Ventures Inc.

On June 5, 2020, Real completed reverse takeover transaction with ADL Ventures Inc. (“ADL”), a capital pool company, incorporated under the Business Corporations Act (British Columbia), which constitutes the Company’s “Qualifying Transaction” under Policy 2.4 – Capital Pool Companies of the TSX-V.

On March 5, 2020, Real and ADL entered into a securities exchange agreement (the “Securities Exchange Agreement”) pursuant to which ADL would acquire all the issued and outstanding securities of Real as part of the Qualifying Transaction.

The Securities Exchange Agreement provided for the acquisition of all the issued and outstanding common shares, warrants and options of Real by ADL in exchange for common shares and options of ADL. As a result of the Qualifying Transaction, ADL became the sole beneficial owner of all the outstanding securities of Real.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| | Note | Number of Options | Number of Shares | Value |
|---|---------------|----------------------|---------------------|---------------|
| ADL shares and options issued and outstanding | | 1,200 | 9,100 | 271 |
| <i>Effect of transaction with ADL:</i> | | | | |
| Increase in value of ADL shares and options issued to shareholders of ADL | <i>B(i)</i> | - | - | 459 |
| Shares issued pursuant to private placement | <i>B(ii)</i> | - | 20,758 | 1,588 |
| Shares and options issued to shareholders of Real | <i>B(iii)</i> | 5,671 | 42,144 | 14,818 |
| Conversion of Real series A preferred shares | <i>B(iv)</i> | - | 68,460 | 11,750 |
| Conversion of Real convertible debt | <i>B(v)</i> | - | 3,295 | 250 |
| ADL options exercised | <i>B(vi)</i> | - | 675 | 2 |
| Effect of Transaction on Share Capital | | 6,871 | 144,432 | 29,138 |

B. Transactions

i. Increase in value of ADL shares and options issued to shareholders of ADL

Accounting for the transaction under IFRS 2, Share-based payment arrangements, the fair value of the existing shares and options of ADL were increased by \$459 in the year 2020.

ii. Shares issued pursuant to private placement

Concurrent with the Qualifying Transaction, Real raised \$1,588 by way of a private placement of subscription receipts (the "Private Placement"). Each subscription receipt was exercisable into one common share, automatically, and upon completion of the Qualifying Transaction.

The common shares issued pursuant to the Private Placement are subject to a six-month regulatory hold period from the date of closing the Private placement, comprised of a four-month regulatory hold plus a two-month hold period based on contractual lock-up commitments of the subscribers.

iii. Shares and options issued to shareholders of Real

Real had 40,179 ordinary stock and 5,672 options, exchanged for Common Shares on a basis of 1 to 1.0083.

iv. Conversion of Real series A preferred shares

Immediately prior to the Qualifying Transaction, Real series A preferred shares were converted on a one-for-one basis into Real ordinary stock and exchanged for Common Shares on a basis of 1 to 1.0083.

v. Conversion of convertible debt

On February 17, 2020 and March 31, 2020, Real raised an aggregate of \$250 by way of convertible loan, with the principal amounts converted immediately prior to the closing of the transaction at a price per share of \$0.07587 which was in turn exchanged into Common Shares on a basis of 1 to 1.0083.

vi. ADL options exercised

Subsequent to the transaction, 675 of the ADL options were exercised into common shares.

5. 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)

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

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 are exchangeable into the same number of common shares of the Company (Common Shares) and 17,287 share purchase warrants of the Company that are 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.

6. 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 \$1.1 million 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 this acquisition, Real also granted 2,441 stock options (“Options”), which vest over a 4-year period. The Company has determined the acquisition meets the definition of business combinations within the scope of IFRS 3, Business Combination and has completed the determination to allocate purchase 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 values of the acquired assets and assumed liabilities, with reference to the acquisition as of the acquisition date:

| | Balance at, December 31, 2021 |
|---|--------------------------------------|
| <i>Identifiable assets acquired and goodwill</i> | |
| 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.

7. 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 immaterial cash for an aggregate purchase price of one US Dollar. The Company has determined 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.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| | Balance at December 31, 2021 |
|---|-------------------------------------|
| <i>Recognized amounts of assets acquired and liabilities assumed</i> | |
| Cash | 1 |
| Accounts Receivable | 1,479 |
| In Trust Cash | 1,383 |
| Accounts Payables and Accrued Liabilities |)1,462(|
| Held in Trust Funds |)1,383(|
| Payables Other |)18(|
| <i>Net Assets Acquired</i> | |
| Consideration Paid | - |
| <i>Gain from Bargain Purchase</i> | |
| <i>Cash Flow</i> | |
| Consideration Paid | - |
| Acquired Cash | 1 |
| From Investing Activities Cash | 1 |

8. REVENUE

A. Revenue streams and disaggregation of revenue from contracts with customers

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

| | <i>For the Year Ended</i> | |
|--|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| <i>Main revenue streams</i> | | |
| Commissions | 120,957 | 16,427 |
| Fee Income | 711 | 88 |
| Other | 13 | 44 |
| Total Revenue | 121,681 | 16,559 |
| <i>Timing of Revenue Recognition</i> | | |
| Products transferred at a point in time | 121,668 | 16,515 |
| Revenue from Contracts with Customers | 121,668 | 16,515 |
| Other revenue | 13 | 44 |
| Total Revenues | 121,681 | 16,559 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

9. EXPENSES BY NATURE

| | <i>For the Year Ended</i> | |
|---|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Cost of Sales | 110,587 | 14,405 |
| Operating Expenses | | |
| General and Administration Expense | 10,573 | 3,658 |
| Salaries and Benefits | 3,748 | 1,078 |
| Stock Based Compensation for employees | 1,333 | 744 |
| Administrative Expenses | 1,006 | 348 |
| Consultancy Expenses | 3,425 | 1,164 |
| Depreciation Expense | 213 | 91 |
| Other General and Administrative Expenses | 848 | 233 |
| Marketing Expenses | 7,808 | 905 |
| Salaries and Benefits | 327 | - |
| Stock Based Compensation for employees | 135 | 143 |
| Stock Based Compensation for agents | 2,194 | 69 |
| Revenue Share | 4,454 | 180 |
| Other Marketing and Advertising Cost | 698 | 513 |
| Research and Development Expenses | 3,979 | 405 |
| Salaries and Benefits | 840 | - |
| Stock Based Compensation for employees | 1,545 | 182 |
| Other Research and Development | 1,594 | 223 |
| Total Cost of Sales and Operating Expenses | 132,947 | 19,373 |

Finance Expenses

The following table summarizes detail behind Finance costs as reported in the Consolidated Statement of Income (Loss)

| Description | <i>For the Year Ended</i> | |
|-------------------------------|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Unrealized loss on Warrants | 574 | - |
| Bank Fees | 97 | 26 |
| Interest Expense (Income) | (13) | 142 |
| Other | 4 | 6 |
| Total Finance Expenses | 662 | 174 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

10. LOSS PER SHARE

A. 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>(in thousands of shares)</i> | <i>For the Year Ended</i> | |
|---|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Issued ordinary shares at the beginning of the period | 161,721 | 41,797 |
| Effect of Qualifying Transaction | - | 53,560 |
| Effect of Warrant Exercise | 8,762 | 5,211 |
| Effect of Pipe Transaction | - | 1,279 |
| Effect of Conversion of Preferred Units | - | - |
| Weighted-average numbers of ordinary shares | 170,483 | 101,847 |
| Loss per share | | |
| Basic and diluted loss per share | (0.07) | (0.04) |

11. SHARE-BASED PAYMENT ARRANGEMENTS

A. Description of share-based payment arrangements

i. 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.

The key terms and conditions related to the grants under these programs are as follows; all options are to be settled by physical delivery of shares.

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| Grant Date | Number of Instruments | Vesting Conditions | Contractual Life of Options |
|----------------------------------|-----------------------|---|-----------------------------|
| Balance December 31 2019 | 5,791 | | |
| On June, 2020 | 2 | quarterly vesting | 5.6 years |
| On June, 2020 | 3 | immediate | 5.6 years |
| On June, 2020 | 4,000 | 25% on first anniversary, then quarterly vesting | 10 years |
| On June, 2020 | 450 | 50 immediately, then quarterly vesting | 10 years |
| On June, 2020 | 1400 | 400 immediately, then quarterly vesting | 10 years |
| On June, 2020 | 1,123 | 1 year | 10 years |
| On June, 2020 | 50 | Immediate | 10 years |
| On June, 2020 | 225 | Immediate | 7.8 years |
| On August, 2020 | 50 | Immediate | 10 years |
| On August, 2020 | 499 | quarterly vesting | 10 years |
| On October, 2020 | 220 | quarterly vesting | 10 years |
| 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 | | |

B. Measurement of fair values

The fair value of the stock-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 values at the grant and measurement date were as follows:

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Share price | \$ 3.69 | \$ 0.92 |
| Exercise price | \$0.87 to \$3.40 | \$0.10 to \$1.76 |
| Expected volatility (weighted-average) | 156.0% | 65.0% to 66.1% |
| Expected life (weighted-average) | 10 years | 3 to 10 years |
| Expected dividends | - % | - % |
| Risk-free interest rate (based on US government bonds) | 1.45% | 1.38% |

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

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

C. Reconciliation of outstanding stock-options

| | December 31, 2021 | | December 31, 2020 | |
|--------------------------------------|----------------------|--|----------------------|--|
| | Number of Options | Weighted- Average Exercise Price | Number of Options | Weighted- Average Exercise Price |
| Outstanding at beginning of year | 12,851 | \$ 0.27 | 5,791 | \$ 0.13 |
| Granted | 8,474 | 1.70 | 8,022 | 0.37 |
| Forfeited/ Expired | (370) | - | - | - |
| Exercised | (140) | (0.13) | (962) | (0.10) |
| Outstanding at end of year | 20,815 | \$ 0.71 | 12,851 | \$ 0.27 |
| Exercisable as at end of year | 10,295 | | 3,103 | |

The stock-options outstanding as of December 31, 2021 had a weighted average exercise price of \$0.71 (December 31, 2020: \$0.27) and a weighted-average contractual life of 10 years (December 31, 2020: 3 to 10 years).

D. Restricted share unit plan

i. Restricted share unit plan

On September 21, 2020, the Company established a restricted share unit plan. Under the plan agents are eligible to receive RSUs that, upon vesting, entitled 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 year ended December 31, 2021 was \$1,023. The stock compensation attributable to agent growth was classified as marketing expense. The stock compensation award granted to FTEs was classified as General and Administrative expense on the audited 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 holding 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 as a bonus after the 12-month holding period has passed. 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, 2019 | - |
| Stock Grant Liability Increase | 15 |
| Stock Grants Released from liability to equity | - |
| 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 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

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

| | Amount |
|--------------------------------------|---------------|
| Balance at, December 31, 2019 | - |
| Granted | 121 |
| Vested and Issued | - |
| Balance at, December 31, 2020 | 121 |
| Granted | 3,951 |
| Vested and Issued | (76) |
| Forfeited | (31) |
| Balance at, December 31, 2021 | 3,965 |

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

| | December 31, 2021 | | | December 31, 2020 | | |
|---|----------------------------|------------------------|--------------|----------------------------|------------------------|--------------|
| | <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 | 1,188 | 1,006 | 2,194 | 45 | 24 | 69 |
| Marketing Expenses – FTE Stock Based Compensation | 135 | - | 135 | 143 | - | 143 |
| Research and Development – FTE Stock Based Compensation | 1,545 | - | 1,545 | 182 | - | 182 |
| General and Administrative – FTE Stock Based Compensation | 1,316 | 17 | 1,333 | 744 | - | 744 |
| Total Stock Based Compensation Expense | 4,184 | 1,023 | 5,207 | 1,114 | 24 | 1,138 |

On May 20, 2021 the Company began transacting under the NCIB to purchase up to 7,170 of its common shares representing approximately 5% of the total 143,404 Common Shares issued and outstanding as of April 30, 2021. Purchases will be made at prevailing market prices commencing on or about May 20, 2021 and ending on the earlier of: (i) one year from such commencement; or (ii) the date on which the Company has purchased the maximum number of Shares to be under the NCIB. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares to satisfy the RSU Plan. During the twelve months ended December 31, 2021, there were 4,906 shares purchased in the amount of \$12,644.

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

12. CASH

| | December 31, 2021 | December 31, 2020 |
|-------------------|--------------------------|--------------------------|
| Cash | 29,082 | 21,226 |
| Restricted Cash | 47 | 47 |
| Total Cash | 29,129 | 21,273 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

13. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES AT FAIR VALUE

| Description | Cost | Dividends, Interest & Income | Gross Unrealized Losses | Estimated Fair Value December 31, 2021 |
|-------------------------------|--------------|------------------------------------|-------------------------------|---|
| U.S. Government Bonds | 5,095 | 150 | (212) | 5,033 |
| Municipal Bonds | 2,945 | 73 | (118) | 2,900 |
| Alternative Strategies | 900 | - | (22) | 878 |
| Short Term Investments | 8,940 | 223 | (352) | 8,811 |

Investment securities are recorded at fair value. The company's investment securities portfolio consists primarily of cash investments, 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.

14. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS

Reconciliation of Carrying Amounts

| | Computer Equipment | Furniture and Equipment | Total |
|-------------------------------------|-----------------------|----------------------------|------------|
| Cost | | | |
| Balance at December 31, 2019 | 21 | 65 | 86 |
| Additions | 12 | 4 | 16 |
| Balance at December 31, 2020 | 33 | 69 | 102 |
| Additions | 172 | - | 172 |
| Balance at December 31, 2021 | 205 | 69 | 274 |
| Accumulated Depreciation | | | |
| Balance at December 31, 2019 | 21 | 64 | 85 |
| Depreciation | 3 | - | 3 |
| Balance at December 31, 2020 | 24 | 64 | 88 |
| Depreciation | 15 | 1 | 16 |
| Balance at December 31, 2021 | 39 | 65 | 104 |
| Carrying Amounts | | | |
| Balance at December 31, 2020 | 9 | 5 | 14 |
| Balance at December 31, 2021 | 166 | 4 | 170 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| | Intangible Assets | Goodwill | Total |
|--|-------------------|------------|--------------|
| <i>Cost</i> | | | |
| Balance at December 31, 2019 | - | - | - |
| Additions | - | - | - |
| Balance at December 31, 2020 | - | - | - |
| Additions | 564 | 602 | 1,166 |
| Balance at December 31, 2021 | 564 | 602 | 1,166 |
| <i>Accumulated Depreciation</i> | | | |
| Balance at December 31, 2019 | - | - | - |
| Depreciation | - | - | - |
| Balance at December 31, 2020 | - | - | - |
| Depreciation | 113 | - | 113 |
| Balance at December 31, 2021 | 113 | - | 113 |
| <i>Carrying Amounts</i> | | | |
| Balance at December 31, 2020 | - | - | - |
| Balance at December 31, 2021 | 451 | 602 | 1,053 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

15. CAPITAL AND RESERVES

A. 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.

| Note | Share Premium | | Non-controlling Interests | | Non-redeemable Preference Shares | |
|--|-------------------|-------------------|---------------------------|-------------------|----------------------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| In issue at beginning of year | 21,668 | 1,265 | 14,818 | - | - | 11,750 |
| Issued for cash | 26,475 | - | - | - | - | - |
| Conversion | 14,818 | 11,750 | (14,818) | - | - | (11,750) |
| Private placement | - | 1,588 | - | - | - | - |
| ADL shares | - | 730 | - | - | - | - |
| Conversion of convertible debt | - | 250 | - | - | - | - |
| Exercise of stock options | 207 | 2 | - | - | - | - |
| Acquisition of common shares for RSU Plan | (12,644) | - | - | - | - | - |
| Release of vested common shares from employee benefit trusts | 229 | - | - | - | - | - |
| Private placement | - | 500 | - | - | - | - |
| Warrants issued via Pipe transaction | - | 5,583 | - | - | - | - |
| Shares issued via Pipe transaction | - | - | - | 14,818 | - | - |
| In issue at end of year – fully paid | 50,753 | 21,668 | - | 14,818 | - | - |
| Authorized (thousands of shares) | Unlimited | 123,000 | Unlimited | 123,000 | 66,000 | 66,000 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

Share Consolidation and Share Split

On May 26, 2021, the Company consolidated all of its issued and outstanding Common Shares 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.

i. Non- controlling interests

During 2020, the Company completed the Insight Partners investment whereby Real PIPE issued 17,287 Preferred Units at a price of \$1.19 (CAD \$1.52) per Preferred Unit were issued along with Warrants. The Company also issued 17,287 Warrants, 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, certain the Insight Partners were issued an aggregate of 17,287 Common Shares in the exchange of all of the Insight Partners' Preferred Units.

ii. Private Placement

During 2020, Real raised an aggregate amount of \$500 (\$665 CAD less customary expenses) by way of a non-brokered private placement of 1,900 common shares at a price of \$0.27 (\$0.35 CAD) per common share.

16. 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 sets the amount of capital in proportion to the risk and adjusts considering changes in economic conditions and the characteristic risk of underlying assets. To maintain or adjust the capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 December 31, 2021 and 2020.

The following table presents liquidity:

| | <i>For the Year Ended</i> | |
|------------------------|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Cash | 29,082 | 21,226 |
| Restricted Cash | 47 | 47 |
| Other Receivables | 23 | 221 |
| Short term investments | 8,811 | - |
| Total Capital | 37,963 | 21,494 |
| Loans and Borrowings | - | - |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

17. LEASE LIABILITY AND RIGHT OF USE ASSET

The Company subleases corporate office in New York, NY under a lease agreement dated December 1, 2017, and the lease expires on June 30, 2023. A summary of the changes in the right-of-use asset for the year ended December 31, 2021 and 2020 is as follows:

| | Right-of-Use Asset |
|-------------------------------------|---------------------------|
| Cost | |
| Balance at December 31, 2019 | 433 |
| Additions | 69 |
| Balance at December 31, 2020 | 502 |
| Additions | - |
| Balance at December 31, 2021 | 502 |
| Accumulated Depreciation | |
| Balance at December 31, 2019 | 221 |
| Depreciation | 88 |
| Balance at December 31, 2020 | 309 |
| Depreciation | 84 |
| Balance at December 31, 2021 | 393 |
| Carrying Amounts | |
| Balance at December 31, 2020 | 193 |
| Balance at December 31, 2021 | 109 |

On December 1, 2017, the Company entered into operating 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 changes in the lease liability during the years ended December 31, 2021 and December 31, 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| <i>Maturity analysis – contractual undiscounted cash flows</i> | | |
| Less than one year | 94 | 90 |
| One year to five years | 41 | 181 |
| More than five years | - | - |
| Total undiscounted lease liabilities | 135 | 271 |
| Lease liabilities included in the balance sheet | 131 | 215 |
| Current | 91 | 85 |
| Non-current | 40 | 130 |

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

| | Future lease payments |
|--|------------------------------|
| Fiscal 2022 (Jan 1, 2022 to Dec 31, 2022) | 94 |
| Fiscal 2023 (Jan 1, 2023 to June 30, 2023) | 41 |
| Total undiscounted lease payments | 135 |
| Less: imputed interest | (4) |
| Lease liability as at December 31, 2021 | 131 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

18. 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.

| | December 31, 2021 | December 31, 2020 |
|-----------------------------|--------------------------|--------------------------|
| Escrow Funds Payables | 3,264 | - |
| Other Payables | 91 | 64 |
| Total Other Payables | 3,351 | 64 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

19. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

A. Accounting classifications and fair values

| | <i>For the Year Ended December 31, 2020</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 | - | - | - | - |
| Total Financial Assets Measured at Fair Value (FV) | | | | |
| <i>Financial Assets Not Measured at Fair Value (FV)</i> | | | | |
| Cash | 21,226 | - | 21,226 | 21,226 |
| Restricted Cash | 47 | - | 47 | 47 |
| Trade Receivables | 117 | - | 117 | 117 |
| Other Receivables | 221 | - | 221 | 221 |
| Total Financial Assets Not Measured at Fair Value (FV) | 21,611 | - | 21,611 | 21,611 |
| <i>Financial Liabilities Not Measured at Fair Value (FV)</i> | | | | |
| Accounts Payable | - | 815 | 815 | 815 |
| Other Payables | - | 64 | 64 | 64 |
| Total Financial Liabilities Not Measured at Fair Value (FV) | - | 879 | 879 | 879 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| | <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 | 29,082 |
| Restricted Cash | 47 | - | 47 | 47 |
| Trade Receivables | 254 | - | 254 | 254 |
| Other Receivables | 23 | - | 23 | 23 |
| Total Financial Assets Not Measured at Fair Value (FV) | 29,406 | - | 29,406 | 29,406 |
| <i>Financial Liabilities Not Measured at Fair Value (FV)</i> | | | | |
| Accounts Payable | - | 6,604 | 6,604 | 6,604 |
| Other Payables | - | 3,351 | 3,351 | 3,351 |
| Total Financial Liabilities Not Measured at Fair Value (FV) | - | 9,955 | 9,955 | 9,955 |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

B. Transfers between levels

During the year ended December 31, 2021 and 2020, 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 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.

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

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 December 31, 2021, the exposure to credit risk for trade receivables and contract asset by geographic region was as follows:

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

| | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|-------------------|
| US | 230 | 117 |
| Other Regions | 24 | - |
| Trade Receivables | 254 | 117 |

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

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.

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 another 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 in 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 December 31, 2021 and December 31, 2020 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.

| | <i>Average Rate</i> | | <i>Period-end Spot Rate</i> | |
|--------------------------------------|---------------------|-----------|-----------------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| Balance at, December 31, 2021 | | | | |
| CAD (-5% movement) | 43 | (43) | 4 | (4) |
| ILS (-5% movement) | 39 | (39) | 54 | (54) |
| Balance at, December 31, 2020 | | | | |
| CAD (-5% movement) | - | - | - | - |
| ILS (-5% movement) | 209 | (209) | 199 | (199) |

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

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> | |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| CAD | (1,331) | (54) | 3,291 | 300 |
| ILS | (1,420) | (103) | 191 | 863 |
| Total Exposure | (2,751) | (157) | 3,482 | 1,163 |

v. *Investment risk*

The Company invested funds from the PIPE 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 14*.

20. 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.

21. 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 stock option program (see *Note 11.A.i*). Directors and officers of the Company control approximately 20.80% of the voting shares of the Company. Key management personnel compensation for the period consistent of the following:

| | <i>Year Ended</i> | |
|--|--------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Salaries and Benefits | 1,476 | 849 |
| Consultancy | 270 | 44 |
| Stock-based Compensation | 2,412 | 947 |
| Compensation Expenses Related to Management | 4,158 | 1,840 |

22. SUBSEQUENT EVENTS

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”).

THE REAL BROKERAGE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 and 2020
(U.S. dollar in thousands unless otherwise noted)

The aggregate purchase price for 100% of the issued and outstanding equity interests of Expetitle was for aggregate cash consideration \$8,232 with \$7,432 payable in cash at the closing of the Expetitle Transaction and \$800 subject to escrow, that will be released after twelve (12) months upon the satisfaction or waiver of certain terms and conditions.

In connection with the Transaction, Real also granted an aggregate of 700 Options and an aggregate of 1.1 million RSUs to members of the Expetitle team. The Options will vest quarterly over 3 years and are exercisable for a period of 3 years at \$3.60 per share. The RSUs will vest quarterly over 3 years.

The Company has determined 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.

[This page intentionally left blank.]



THE REAL BROKERAGE INC.

Management's Discussion and Analysis

For the Year Ended December 31, 2021

March 18, 2022

Building Your Future, Together

The Real Brokerage Inc. (the “**Company**” or “**Real**”) is a technology-powered real estate brokerage, using its innovative approach to change the way people buy and sell homes. Real’s model focuses on creating value and financial opportunity for agents, enabling them to deliver a better experience to their clients.

Real creates financial opportunities for agents in four key ways:



1. Keep more commission

Our unique compensation structure favors the agent, allowing them to keep 85%-100% of commissions.



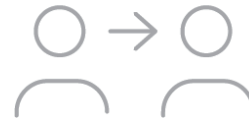
2. 100% mobile brokerage services

We are 100% mobile – so agents have what they need to close the deal at their fingertips and aren’t paying for unused office space.



3. Build equity

Agents can earn equity through Real’s incentive program that allows them to share in the wealth as they help to build a more valuable company.

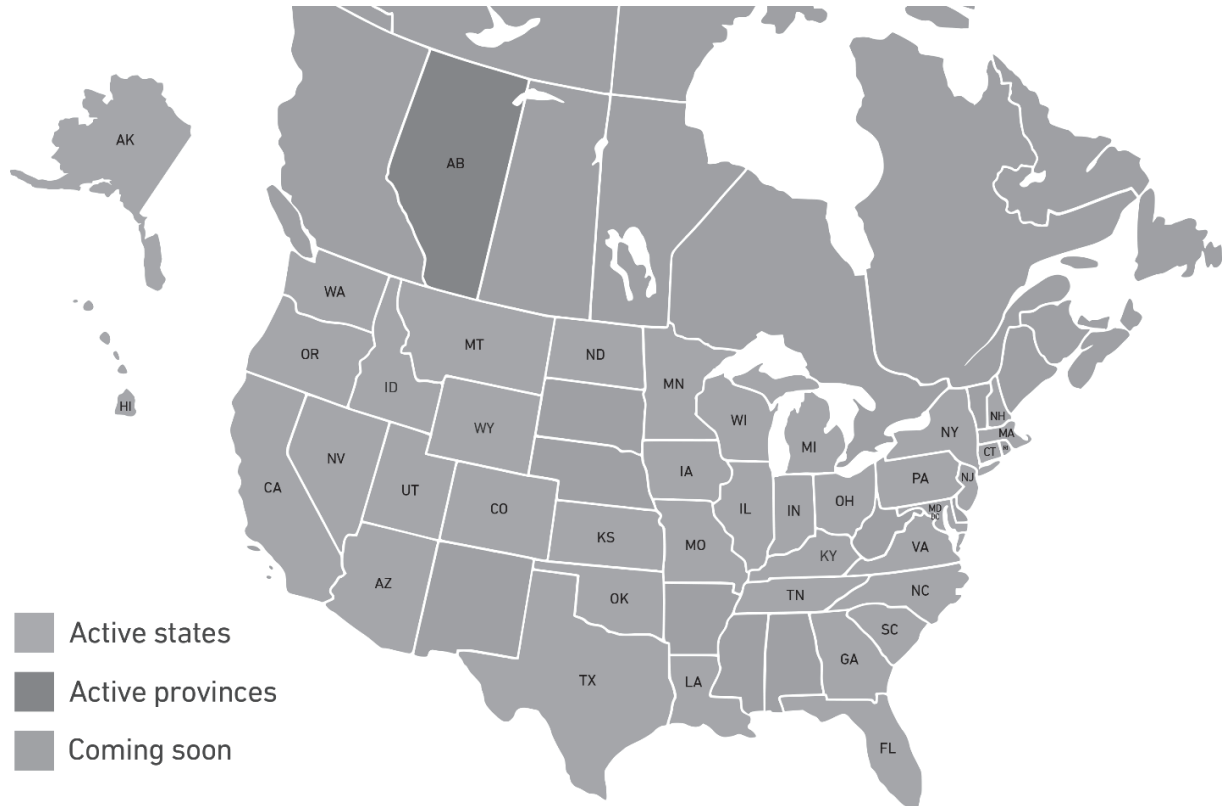


4. Earn more with revenue sharing

Agents can earn a share of revenue generated by agents referred to Real. Each referral earns an agent 5% of Real’s portion of an agents’ gross commission income up to an annual cap.

2021 Highlights

Real was founded in 2014 and is headquartered in Toronto and New York City. We provide brokerage services for the real estate market in the United States and Canada. At December 31, 2021, we were licensed in 40 states and the District of Columbia in the United States and in Alberta and Ontario, Canada. Our fast-growing network of agents allows for strong relationship building, access to a nationwide referral network and seamless expansion opportunities.



| | | | |
|---|--|---|---|
| <p>3,850 Agents, Q4 2021</p> | <p>43 States (40, D.C., and 2 provinces in Canada), Q4 2021</p> | <p>\$121.7M Revenue, Q4 YTD 2021</p> | <p>\$4,404M Value of sold homes, YTD Q4 2021</p> |
|---|--|---|---|

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

MANGAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

INTRODUCTION

This Management’s Discussion and Analysis (the “**MD&A**”) is provided to enable a reader to assess the results of operations and financial condition of The Real Brokerage Inc. (“**Real**” or the “**Company**”) for the years ended December 31, 2021 and 2020. This MD&A is dated March 18, 2022 and should be read in conjunction with audited consolidated financial statements and related notes for the years ended December 31, 2021 and 2020 (the “**Financial Statements**”). Unless the context indicates otherwise, references to “**Real**”, “**the Company**”, “**we**”, “**us**” and “**our**” in this MD&A refer to The Real Brokerage Inc. and its subsidiaries.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in “**Business Overview and Strategy**”, “**Results from Operations**”, and other statements concerning Real’s objectives, its strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as “**outlook**”, “**objective**”, “**may**”, “**will**”, “**would**”, “**expect**”, “**intend**”, “**estimate**”, “**anticipate**”, “**believe**”, “**should**”, “**plan**”, “**continue**”, or similar expressions suggesting future outcomes or events or the negative thereof. Such forward-looking information reflects management’s current beliefs and is based on information currently available. All forward-looking information in this MD&A is qualified by the following cautionary statements.

Forward looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond Real’s control, affect the operations, performance and results of the Company and its subsidiaries, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Although Real believes that the expectations reflected in such forward-looking information are reasonable and represent the Company’s projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Company’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. See “**Risks and Uncertainties**” for further information. The reader is cautioned to consider these factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A is made as of the date of this MD&A and should not be relied upon as representing Real’s views as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW AND STRATEGY

Real is a growing technology-powered real estate brokerage in the United States and Canada. We focus our operations on development of technology that helps real estate agents perform better as well as building a scalable, efficient brokerage operation that is not dependent on a cost-heavy brick and mortar presence in the markets that we operate in.

As a licensed real estate brokerage, our revenue is generated, primarily, by processing real estate transactions which entitle us to commissions. We pay a portion of our commission revenue to our agents and brokers.

Our strength is our ability to offer real estate agents a higher value, through a proprietary technology stack, at a lower cost, compared to other brokerages, while operating efficiently and scaling quickly. We also identify a major opportunity in improving the home-buying experience for consumers and will be building technology and processes that will enhance transparency and provide our agents’ clients more convenience and control of the process.

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Accelerated Growth

Following our listing on the TSX Venture Exchange (the “**TSXV**”) and the Nasdaq Capital Market (the “**NASDAQ**”), as well as the launch of our Agent Equity Program, we have entered into a period of growth, driven by an increase in the number of agents joining us on a monthly basis, as well as higher productivity of those newer cohorts. The growth is now well reflected in our Q4 2021 revenue figures and we expect this trend to continue in the following quarters.

Our non-brick and mortar based model is becoming increasingly desirable, enabling agents to work from anywhere, without being tied to a physical office by leveraging our best-in-class technology.

On October 28, 2021, the Company launched its Instant Payments program, allowing agents to be paid at the time a transaction is executed, rather than at closing. The Company leverages proprietary artificial intelligence, data and predictive analytics to determine which agents and transactions are eligible for the program, the likelihood and timing of a transaction closing and to calculate the value of the payment. The change is designed to diminish the high degree of cash flow uncertainty agents face.

Focus on Technology

The real estate industry is generally considered to be very slow at adopting technology and as such, real estate transactions remain notoriously difficult to manage. We believe there is an opportunity for production of agent focused software products that will create differentiation between Real and other brokerages. We also acknowledge that profitability in our industry is closely tied to the improvement of internal operations efficiency through automation and the ability to scale and expand rapidly.

We see a tremendous opportunity in improving the home buying and selling experience for consumers using technology, while keeping real estate agents in the center of the transaction. This approach will enable consumers to experience a faster, smoother, and more enjoyable digital based journey, while still benefiting from the guidance of a human real estate expert throughout this exciting and highly emotional transaction. We are beginning to allocate resources towards building the technology, which will enable us to capitalize on this opportunity.

Recent developments

RealtyCrunch Transaction

On January 11, 2021, the Company completed the acquisition of the business assets and intellectual property of RealtyCrunch Inc. (the “**RealtyCrunch Transaction**”). The purchase of assets and intellectual property acquired in the RealtyCrunch Transaction was satisfied in cash for an aggregate purchase price of US\$1.1 million plus the issuance 184 warrants to the selling securityholders of RealtyCrunch. Each whole warrant is exercisable into one common share of the Company (each, a “**Common Share**”) at a price of C\$1.36 per Common Share until January 11, 2026.

In connection with the closing of the RealtyCrunch Transaction, Pritesh Damani joined the Company as Chief Product Officer. Damani, the founder and former Chief Executive Officer of RealtyCrunch, was granted 2,131 incentive stock options (“**Options**”) at a price of C\$1.11. Each Option is exercisable until January 11, 2032 and are subject to a four year vesting period.

NCIB

On May 17, 2021, 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, being approximately 5% of the total 143,404 Common Shares issued and outstanding as at April 30, 2021. The NCIB shall terminate on the earlier of April 20, 2022 and the date on which the maximum number of Common Shares purchasable under the NCIB is acquired by the Company.

The Company appointed CWB Trust Services (the “**Trustee**”) as the trustee for the purposes of arranging for the acquisition of Common Shares and to hold the Common Shares in trust for the purposes of satisfying restricted share unit (“**RSU**”) and to perform other administration matters related to the NCIB. Through the Trustee, RBC Capital Markets has been engaged to undertake purchases under

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

the NCIB. RBC Capital Markets is required to comply with the TSXV NCIB rules in respect of the purchases of Common Shares as the Trustee is considered to be 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 restricted share units (“RSUs”) held by such designated participants.

The Company repurchased 4,901 of Common Shares in the amount of \$12,644 as of December 31, 2021 pursuant to the NCIB.

Share Consolidation

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.

NASDAQ Listing

On June 15, 2021, the Common Shares began trading on the NASDAQ under the symbol “REAX”. Trading of the Common Shares continued on the TSXV under the same symbol, “REAX”. The purpose of the NASDAQ listing is to enhance shareholder value through improved visibility and increased trading liquidity.

Share Split

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.

Forced Exchange Event

On August 3, 2021, certain funds managed by Insight Venture Management LLC (“**Insight Partners**”) were issued an aggregate of 17,287 Common Shares in the exchange of all of the Insight Partners’ issued and outstanding preferred units (“**Preferred Units**”) of Real PIPE, LLC (“**Real PIPE**”).

The issuance of Common Shares followed Real’s listing on the NASDAQ. In connection with the NASDAQ listing, Real delivered a “Forced Exchange Notice” to Insight Partners providing for the exchange of previously issued Preferred Units issued to Insight Partners pursuant to the terms of the Amended and Restated Limited Liability Company Agreement between Real, Real PIPE and Insight Partners dated December 2, 2020.

As of the date of this MD&A, Insight Partners controls approximately 19.52% of the issued and outstanding Common Shares on a fully diluted basis.

International Expansion

On August 16, 2021, the Company announced it has launched in Alberta, Canada as “Real Broker AB Ltd.”, marking the launch of its first international operations. On December 3, 2021, the Company completed the acquisition of all of the issued and outstanding common of Scott Benson Real Estate Inc and subsequently launched operations in Ontario, Canada. Following the transaction, Scott Benson Real Estate Inc. was renamed Real Broker Ontario Ltd.

Our international operations are subject to risks not generally experienced by our U.S. operations. The risks involved in our international operations and relationships that could result in losses against which we are not insured and therefore affect our profitability include:

- fluctuations in foreign currency exchange rates;
- exposure to local economic conditions and local laws and regulations;
- employment laws that are significantly different than U.S. laws;
- diminished ability to legally enforce our contractual rights and use of our trademarks in foreign countries;

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

- difficulties in registering, protecting or preserving trades names and trademarks in foreign countries;
- restrictions on the ability to obtain or retain licenses required for operations;
- withholding and other taxes on third party cross-border transactions as well as remittances and other payments by subsidiaries;
- onerous requirements, subject to broad interpretation, for indirect taxes and income taxes that can result in audits with potentially significant financial outcomes;
- changes in foreign taxation structures;
- compliance with the Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act; and
- regional and country specific data protection and privacy laws including the Personal Information Protection and Electronic Documents Act.

Business Strategy

Revenue share model

As the vast majority of real estate agents are independent contractors, we believe that it is our responsibility to create multiple revenue sources and improve financial opportunities for agents. Our attractive commission split coupled with the equity incentives for agents provide great opportunities. We are now offering agents the opportunity to earn revenue-share, paid out of Real's portion of commissions, for new agents that they personally refer to Real. The program launched in November 2019 is having a major impact on our agent count and revenue growth.

We are witnessing momentum in several markets, attributed to the enthusiasm generated locally by influential agents who continue to join Real and attract their colleagues to Real.

Agent's experience

We focus on creating an unparalleled agent experience through development of a unique and comprehensive mobile platform. At its core, our technology is an operating system that allows agents to build their business more rapidly, assisting them with their marketing, productivity, support, education, transaction management and more.

As part of those efforts, on August 8, 2021, we launched a new and improved agent mobile application that delivers our agents better visibility into their business, transactions, and financials. We continue to develop new features for the benefit of our agents.

Focus on teams

Real estate teams operate as "brokerages inside a brokerage". A team is typically formed by a high producing agent who attracts other agents to work with them and enjoy the lead flow and mentoring provided by the team leader. To attract teams, we enhanced our team offering to include the full benefits of revenue sharing and the equity program. These incentive programs allow agents and brokers a financial mechanism to build teams across geographical boundaries in any of the markets that we serve. Agents and brokers can build teams without incurring significant additional expense, oversight responsibility or liability, at the same time preserving and enhancing their own personal brands. The growth in brokerage teams joining Real is having a positive impact, as reflected in this year's revenue growth.

OBJECTIVES

Real seeks to become one of the leading real estate brokerages in the United States and Canada. Using our proprietary technology, we look to provide agents with all the tools they need in order to successfully manage and market their business. Real plans to accomplish this through: (i) proprietary integration of technology and tools focused on facilitating and improving tasks performed by agents. (ii) the offering of attractive business terms to agents and creation of multiple potential revenue streams for agents. (iii) providing excellent support and service to our agents. (iv) the creation of a nationwide collaborative community of agents, and (v) offering wealth building opportunities through equity grants.

Leveraging the engagement of real estate agents and homebuyers and sellers, Real will seek to generate revenue through a variety of different channels.

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES

Presentation of financial information

Unless otherwise specified herein, financial results, including historical comparatives, contained in this MD&A are based on the Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations Committee.

Non-GAAP measures

In addition to the reported IFRS measures, industry practice is to evaluate entities giving consideration to certain non-GAAP performance measures, such as earnings before interest, taxes, depreciation and amortization (“EBITDA”) or adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”).

Management believes that these measures are helpful to investors because they are measures that the Company uses to measure performance relative to other entities. In addition to IFRS results, these measures are also used internally to measure the operating performance of the Company.

These measures are not in accordance with GAAP and have no standardized definitions, and as such, our computations of these non-GAAP measures may not be comparable to measures by other reporting issuers. In addition, Real’s method of calculating non-GAAP measures may differ from other reporting issuers, and accordingly, may not be comparable.

Earnings before Interest, Taxes, Depreciation and Amortization

EBITDA is used as an alternative to net income because it excludes major non-cash items such as interest, taxes and amortization, which management considers non-operating in nature. It provides useful information about our core profit trends by eliminating our taxes, amortization, and interest which provides a more accurate comparison between our competitors. A reconciliation of EBITDA to IFRS net income is presented under the section “Results from Operations” of this MD&A.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization

Management believes that Adjusted EBITDA provides useful information about our financial performance and allows for greater transparency with respect to a key metric used by the Company for financial and operational decision-making. We believe that Adjusted EBITDA helps identify underlying trends in our business that otherwise could be masked by the effect of the expenses that we exclude in Adjusted EBITDA. In particular, we believe the exclusion of stock and stock option expenses, provides a useful supplemental measure in evaluating the performance of our operations and provides additional transparency into our results of operations.

Adjusted EBITDA is used as an addition to net income (loss) and comprehensive income (loss) because it excludes major non-cash items such as amortization, interest, stock-based compensation, current and deferred income tax expenses and other items management considers non-operating in nature.

A reconciliation of Adjusted EBITDA to IFRS net income is presented under the section “Results from Operations” of this MD&A.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

RESULTS FROM OPERATIONS

Select annual information

| | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Operating Results | | |
| Total Revenues | 121,681 | 16,559 |
| Loss from Continuing Operations | (11,679) | (3,621) |
| Total Comprehensive Loss Attributable to Owners of the Parent | (12,026) | (3,621) |
| Per Share Basis | | |
| Basic and diluted loss per share ⁽ⁱⁱ⁾ | (0.07) | (0.04) |
| EBITDA ^{(i) (iii)} | (10,804) | (3,390) |
| Adjusted EBITDA ^{(i) (iii)} | (5,124) | (1,793) |

- (i) Represents a non-GAAP measure. Real's method for calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of Real's non-GAAP measures, refer to the non-GAAP measures section.
- (ii) Basic and diluted loss per share are calculated based on weighted average of Common Shares outstanding during the period.
- (iii) EBITDA and Adjusted EBITDA are calculated on a trailing twelve-month basis. Refer to non-GAAP measures section of this MD&A for further details.

Earnings before interest, taxes, depreciation and amortization

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Net Loss and Comprehensive Loss | (12,026) | (3,621) |
| <i>Add (Deduct):</i> | | |
| Interest | 1,009 | 140 |
| Depreciation | 213 | 91 |
| EBITDA | (10,804) | (3,390) |

Adjusted earnings before interest, taxes, depreciation and amortization

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|
| Net Loss and Comprehensive Loss | (12,026) | (3,621) |
| <i>Add:</i> | | |
| Interest | 1,009 | 140 |
| Depreciation | 213 | 91 |
| Stock-Based Compensation | 5,207 | 1,138 |
| Listing Expenses | - | 459 |
| NASDAQ Listing Expenses | 356 | - |
| Restructuring Expense | 117 | - |
| Adjusted EBITDA | (5,124) | (1,793) |

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Balance Sheet overview

| | December 31, 2021 | December 31, 2020 |
|-------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current Assets | 38,665 | 21,700 |
| Non-Current Assets | 1,332 | 207 |
| TOTAL ASSETS | 39,997 | 21,907 |
| LIABILITIES | | |
| Current Liabilities | 10,046 | 964 |
| Non-Current Liabilities | 2,947 | 145 |
| TOTAL LIABILITIES | 12,993 | 1,109 |
| TOTAL EQUITY | 27,004 | 20,798 |
| TOTAL LIABILITIES AND EQUITY | 39,997 | 21,907 |

For the year ended December 31, 2021, total revenues amounted to \$121,681 compared to \$16,559 for the year ended December 31, 2020, thus demonstrating the effects of the Company's growth. The Company generates substantially all its revenue from commissions from the sale of real estate properties. Other sources of revenue include fee income from the brokerage-platform and other revenues relating to auxiliary services. The increase in revenues is attributable to an increase in productive agents on our platform, as well as expanding the number of states and countries in which we operate. We are continually investing in the acquisition of productive agents on our platform, which we anticipate will further translate into a larger transaction volume closed by our agents. As we further widen our footprint within the United States and Canada, we expect this momentum to progress.

Adjusted EBITDA excludes stock-based compensation expense related to our agent incentive program and stock options expense for full time employees and management personnel. Stock-based compensation expense is affected by awards granted and/or awards forfeited throughout the year as well as increases in fair value and is more fully disclosed in Note 11, Share-based payment arrangements, of the Financial Statements.

A further breakdown in revenues generated during the year is included below:

| | December 31, 2021 | December 31, 2020 | YoY Change |
|--|-------------------|-------------------|-------------|
| Major Service Lines | | | |
| Commissions | 120,957 | 16,427 | 636% |
| Fee Income | 711 | 88 | 708% |
| Other | 13 | 44 | (70)% |
| Total Revenue | 121,681 | 16,559 | 635% |
| Timing of Revenue Recognition | | | |
| Products and Services Transferred at a Point in Time | 121,668 | 16,515 | 637% |
| Revenue from Customers with Contracts | 121,668 | 16,515 | 637% |
| Other Revenue | 13 | 44 | (70)% |
| Total Revenue | 121,681 | 16,559 | 635% |

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

A further breakdown in expenses during the year is included below:

| | December 31, 2021 | December 31, 2020 | YoY Change |
|---|--------------------------|--------------------------|-------------------|
| Cost of Sales | 110,587 | 14,405 | 668% |
| Operating Expenses | | | |
| General and Administration Expense | 10,573 | 3,658 | 188% |
| Salaries and Benefits | 3,748 | 1,078 | 248% |
| Stock-Based Compensation (G&A FTE) | 1,333 | 744 | 79% |
| Administrative Expenses | 1,006 | 348 | 189% |
| Consultancy Expenses | 3,425 | 1,164 | 194% |
| Depreciation | 213 | 91 | 117% |
| Other General and Administrative Expenses | 848 | 233 | 250% |
| Marketing Expenses | 7,808 | 905 | 763% |
| Salaries and Benefits | 327 | - | - |
| Stock-Based Compensation (Marketing FTE) | 135 | 143 | (6)% |
| Stock-Based Compensation (Agents) | 2,194 | 69 | 3,080% |
| Revenue Share | 4,454 | 180 | 2,374% |
| Other Marketing and Advertising Cost | 698 | 513 | 36% |
| Research and Development Expenses | 3,979 | 405 | 882% |
| Salaries and Benefits | 840 | - | - |
| Stock-Based Compensation (Research & Development) | 1,545 | 182 | 749% |
| Other Research and Development | 1,594 | 223 | 615% |
| Total Cost of Sales and Operating Expenses | 132,947 | 19,373 | 586% |

We believe that growth can and should be balanced with profits and therefore plan and monitor spend responsibly to ensure we decrease our losses and work towards being EBITDA positive. Our loss as a percentage of total revenue was 10% for the year ended December 31, 2021 and 22% for the year ended December 31, 2020. More detailed explanations for movements in expenses represented above can be found in the paragraphs below.

| | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Revenues | 121,681 | 16,559 |
| Cost of Sales | 110,587 | 14,405 |
| Cost of Sales as a Percentage of Revenues | 91% | 87% |

The total cost of sales for the year ended December 31, 2021 was \$110,587 in comparison to \$14,405 for the year ended December 31, 2020. We typically pay our agents 85% of the gross commission earned on every real estate transaction with 15% of said commissions being paid to the Company. 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”). Each agent Cap cycle resets on an annual basis. As the total revenue increases, the total commission to agents’ expense increases accordingly. Our margins are affected by the increase in the number of agents who achieve their Cap, the increase in volume and increases in unit prices, resulting in a downward pressure as we continue to attract high producing agents. We expect to offset this pressure and increase margins through the introduction of financial services, such as our newly launched “Instant Payments” program and by adding ancillary services.

Our salaries and benefits expenses for the year ended December 31, 2021 was \$4,915 in comparison to \$1,078 for the year ended December 31, 2020. The increase in salaries and benefits expenses were mainly due to an increase in number of full-time employees from 25 at December 31, 2020 to 62 at December 31, 2021. The increase is attributable to Real’s commitment to better serve its agents and to the growth and expansion of the Company. These investments in key management and employee personnel allow us to offer best in class service to our agents. As the Company continues in this period of growth, it is necessary to scale operations in order to support

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

that growth. Increases in headcount, as well as the investments Real is making in its technology infrastructure, allow us to scale at an accelerated pace and serve as key contributors to our growth. With year over year revenue growth at 635%, we believe we have proven our ability to do so in a highly efficient manner and with minimal impact on our operational costs. Real’s Full-time employee to Agent ratio as of December 31, 2021 is 1:62 compared to 1:59 as of December 31, 2020.

Our stock-based compensation expense for the year ended December 31, 2021 was \$5,207 in comparison to \$1,138 for the year ended December 31, 2020. The increase in stock-based compensation is primarily due to equity sign on bonuses granted during the RealtyCrunch Transaction and increases in agent count. For the year ended December 31, 2021 and December 30, 2020, we reclassified agent related stock compensation expense for Options and RSUs to Marketing expenses. For the year ended December 31, 2021 and December 31, 2020, stock-based compensation expense related to full-time employees (“FTEs”) within Marketing and Research and Development are included in the Marketing and Research and Development expense categories.

| | December 31, 2021 | | | December 31, 2020 | | |
|---|-------------------|--------------|--------------|-------------------|-------------|--------------|
| | Options Expense | RSU Expense | Total | Options Expense | RSU Expense | Total |
| Marketing Expenses – Agent Stock-Based Compensation | 1,188 | 1,006 | 2,194 | 45 | 24 | 69 |
| Marketing Expenses – FTE Stock-Based Compensation | 135 | - | 135 | 143 | - | 143 |
| Research and Development – FTE Stock-Based Compensation | 1,545 | - | 1,545 | 182 | - | 182 |
| General and Administrative – FTE Stock-Based Compensation | 1,316 | 17 | 1,333 | 744 | - | 744 |
| Total Stock-Based Compensation Expense | 4,184 | 1,023 | 5,207 | 1,114 | 24 | 1,138 |

Our consultancy expenses for the year ended December 31, 2021 was \$3,425 in comparison to \$1,164 for the year ended December 31, 2020. The increase in consultancy expenses was largely due to an increase in legal and professional fees associated with our listing on NASDAQ and the RealtyCrunch Transaction

Our marketing expenses for year ended December 31, 2021, was \$7,808 compared to \$905 for the year ended December 31, 2020, due to our efforts to attract agents. This increase is primarily comprised of \$4,454 in revenue share paid to agents, as part of our revenue share model and agent related stock-based compensation expense of \$2,194. Agents earn revenue share for new agents that they personally refer to Real and are eligible for the equity incentive program based on certain attracting and performance criteria. Real chooses to limit its expenses paid using traditional marketing channels and focuses primarily on marketing through its agents as the main cost of acquisition. Therefore, as agent counts increase so does our expense related to the revenue share and equity incentive programs.

Our Research and Development expenses for year ended December 31, 2021, was \$3,979 compared to \$405 for the year ended December 31, 2020. The increase is primarily due to increases in headcount from 3 to 19 full-time employees as well as the addition of an offshore development team, all in support of our focus on building a robust agent and consumer facing product. We have developed the technology for full automation of the real estate transaction through the agent mobile app and are now beginning to build the consumer journey. Additional areas of focus during the year ended December 31, 2021 were related to international expansion, further improvements in our product offering, and the integration of financial services and ancillary services into our mobile app. The increase in stock-based compensation for employees under Research and Development is primarily due to the grant of 2,440 stock options related to RealtyCrunch acquisition.

Financial Instruments

Financial assets and financial liabilities are recognized on the Company’s consolidated statements of financial position when Real becomes party to the contractual provisions of the instrument.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification and subsequent measurement

Financial assets – Policy

On initial recognition, a financial asset is classified as measured at: fair value; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company assesses the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and the expectations of future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses recognized in OCI and are never reclassified to profit or loss. |

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and their net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows or the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented on the consolidated statements of financial position, only when the Company has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

A breakdown of financial instruments for the year ended December 31, 2021 is included below:

| | 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 | 29,082 | 29,082 |
| Restricted Cash | 47 | - | 47 | 47 | 47 |
| Trade Receivables | 254 | - | 254 | 254 | 254 |
| Other Receivables | 23 | - | 23 | 23 | 23 |
| Total Financial Assets Not Measured at Fair Value (FV) | 29,406 | - | 29,406 | 29,406 | 29,406 |
| <i>Financial Liabilities Not Measured at Fair Value (FV)</i> | | | | | |
| Accounts Payable | - | 6,604 | 6,604 | 6,604 | 6,604 |
| Other Payables | - | 3,351 | 3,351 | 3,351 | 3,351 |
| Total Financial Liabilities Not Measured at Fair Value (FV) | - | 9,955 | 9,955 | 9,955 | 9,955 |

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

SUMMARY OF QUARTERLY INFORMATION

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended December 31, 2021. This information reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The general increase in revenue and expense quarter over quarter is due to growth and expansion of the Company.

| | 2021 | | | | 2020 | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | 50,479 | 38,798 | 23,095 | 9,309 | 7,090 | 3,939 | 2,594 | 2,936 |
| Cost of Sales | 46,371 | 35,477 | 20,667 | 8,072 | 6,342 | 3,198 | 2,313 | 2,552 |
| Gross Profit | 4,108 | 3,321 | 2,428 | 1,237 | 748 | 741 | 281 | 384 |
| Administrative Expenses | 3,378 | 2,043 | 2,847 | 2,305 | 1,737 | 886 | 331 | 749 |
| Marketing Expenses | 3,790 | 2,154 | 1,214 | 650 | 305 | 124 | 244 | 186 |
| Research and Development Expenses | 682 | 145 | 1,157 | 1,995 | 76 | 141 | 165 | 23 |
| Other Income (Loss) | (249) | - | - | - | (167) | - | (1) | - |
| Operating Income (Loss) | (3,493) | (1,021) | (2,790) | (3,713) | (1,203) | (410) | (458) | (575) |
| Listing Expenses | - | - | - | - | 32 | - | 803 | - |
| Finance Costs (Income), net | 352 | 44 | 201 | 65 | 111 | 12 | 15 | (332) |
| Income (Loss) Before Tax | (3,845) | (1,065) | (2,991) | (3,778) | (1,346) | (422) | (1,276) | (243) |
| Net Loss Attributable to the Owners of the Parent | (3,845) | (1,065) | (2,991) | (3,778) | (1,346) | (422) | (1,276) | (243) |
| <i>Other Comprehensive Incomes (loss):</i> | | | | | | | | |
| Unrealized Gains (Losses) on Available for Sale Investment Portfolio | (352) | - | - | - | - | - | - | - |
| Foreign Currency Translation Adjustment | 4 | (1) | (43) | 45 | - | - | - | - |
| Comprehensive income (loss) | (4,193) | (1,064) | (2,948) | (3,823) | (1,346) | (422) | (1,276) | (243) |
| <i>Non-Operating Expenses:</i> | | | | | | | | |
| Interest | 699 | 43 | 158 | 110 | 111 | 12 | 15 | (332) |
| Depreciation | 83 | 44 | 44 | 42 | 32 | 10 | 22 | 27 |
| Stock-Based Compensation | 494 | (80) | 2,045 | 2,748 | 802 | 139 | (15) | 212 |
| Listing Expenses | - | - | - | - | - | - | 459 | - |
| NASDAQ Listing Expenses | (99) | 310 | 145 | - | - | - | - | - |
| Restructuring Expense | 54 | 3 | 60 | - | - | - | - | - |
| Adjusted EBITDA | (2,962) | (744) | (496) | (923) | (401) | (261) | (795) | (336) |
| <i>Earnings per Share</i> | | | | | | | | |
| Basic and Diluted Loss per Share | (0.021) | (0.006) | (0.053) | (0.038) | (0.009) | (0.003) | (0.008) | (0.006) |

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Quarterly trends and risks

Our quarterly results are dependent on the economic conditions within the markets for which we operate. The Company's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond the Company's control. The business is affected by the overall conditions of the real estate market, influenced primarily by economic growth, interest rates, unemployment, inventory, and mortgage rate volatility. The Company's revenue from a real estate transaction is recorded only when a real estate transaction has been closed. Consequently, the timing of revenue recognition can materially affect quarterly results.

The COVID-19 pandemic adversely affected the Company's business in the first half of 2020 and business worldwide with home sales declining to levels unseen since the recession of the late 2000s. However, U.S. home sales rebounded sharply beginning second half of 2020 and continued to grow significantly throughout 2021.

Our business may be impacted by the current and future health and stability of the economy and residential real estate industry, including any extended slowdown in the real estate markets as a result of COVID-19 (including variants).

The COVID-19 pandemic (including variants), its broad impact and preventive measures taken to contain or mitigate the pandemic have had, and may continue to have, significant negative effects on the United States, Canadian and global economy, employment levels, employee productivity, residential real estate and financial markets. This, in turn, may have a negative impact on the ability of customers to effectuate real estate transactions, profitability, and our ability to operate our business.

We cannot predict the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, the impact to our business of changes to home buying, selling, renting, and financing trends due to the pandemic, or whether and to what extent we will have to implement operational changes in light of the pandemic in the future.

In the years ended December 31, 2021 and 2020, the overall impact of COVID-19 on the Company was not significant and the Company demonstrated significant year over year growth. The Company is positioned to continue expanding at an accelerated pace, despite the impact of COVID-19 on the United State and global economy.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a capital structure comprised of, Common Shares, contributed capital, retained deficit and accumulated other comprehensive loss. Our primary sources of liquidity are cash and cash flows from operations as well as cash raised from investors in exchange for issuance of Preferred Units and Common Shares. The Company expects to meet all of its obligations and other commitments as they become due. The Company has various financing sources to fund operations and will continue to fund working capital needs through these sources along with cash flows generated from operating activities.

At December 31, 2021, cash and investments totaled \$37,963, an increase from \$21,494 at December 31, 2020. Cash is comprised of cash held in our banking and investment accounts.

At December 31, 2021, financing activities generated cash of \$13,954. Cash flow used in financing activities primarily related to the repurchases of the Company's Common Shares for satisfying RSU obligations totaling \$12,644. Cash flows from investing activities used cash of \$10,211 mainly due to investments in securities available for sale at fair value (\$8,811). Cash flows from operations contributed \$3,942 in comparison to (\$1,603) at year ended December 31, 2020.

We believe that our existing balances of cash and cash flows expected to be generated from our operations will be sufficient to satisfy our immediate and ongoing operating requirements.

Our future capital requirements will depend on many factors, including our level of investment in technology, our rate of growth into new markets, and potential mergers and acquisitions. Our capital requirements may be affected by factors that we cannot control such as the residential real estate market, interest rates, and other monetary and fiscal policy changes to the manner in which we currently operate. To support and achieve our future growth plans, however, we may need or seek to obtain additional funding through equity or debt financing.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

The following table presents liquidity:

| | <i>For the Year Ended</i> | |
|---|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Cash | 29,082 | 21,226 |
| Restricted Cash | 47 | 47 |
| Other Receivables | 23 | 221 |
| Short term investments ^[iii] | 8,811 | - |
| Total Capital ^{[i][ii]} | 37,963 | 21,494 |
| Loans and Borrowings | - | - |

[i] – Total Capital is not a standard financial measure under GAAP and may not be comparable to similar measures reported by other entities.

[ii] – Represents a non-GAAP measure. Real's method for calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable.

[iii] – Investment securities are presented in the table below.

| Description | Cost | Dividends, Interest & Income | Gross Unrealized Losses | Estimated Fair Value December 31, 2021 |
|-------------------------------|--------------|------------------------------------|----------------------------|--|
| U.S. Government Bonds | 5,095 | 150 | (212) | 5,033 |
| Municipal Bonds | 2,945 | 73 | (118) | 2,900 |
| Alternative Strategies | 900 | - | (22) | 878 |
| Short Term Investments | 8,940 | 223 | (352) | 8,811 |

The Company holds no debt obligations.

Contractual obligations

As at December 31, 2021, the Company had no guarantees, leases, off-balance sheet arrangements other than those noted in our results from operating activities. We have a lease for our New York office that expires on September 30, 2023. The monthly rent expense per the lease for the year ended December 31, 2021 is \$7 per month. The following is a schedule of Company's future lease payments under lease obligations:

| | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| <i>Maturity analysis – contractual undiscounted cash flows</i> | | |
| Less than one year | 94 | 90 |
| One year to five years | 41 | 181 |
| More than five years | - | - |
| Total undiscounted lease liabilities | 135 | 271 |
| Lease liabilities included in the balance sheet | 131 | 215 |
| Current | 91 | 85 |
| Non-current | 40 | 130 |

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Capital management framework

Real defines capital as equity. 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. For 2021, Real 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.

INVESTMENT SECURITIES AVAILABLE FOR SALE AT FAIR VALUE

The Company invested surplus funds from the PIPE financing activities with Insight Partners into a managed investment portfolio. Securities are purchased on behalf of the Company and are actively managed through multiple investment accounts. 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.

The Company's investment securities portfolio consists primarily of cash investments, debt securities issued by U.S government agencies, local municipalities and certain corporate entities. For the year ended December 31, 2021, the total investment in securities available for sale at fair value was \$8,811 and is more fully disclosed in Note 13, Investment securities available for sale at fair value, of the Financial Statements.

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

OTHER METRICS

Quarter-over-quarter revenue growth

| | 2021 | | | | 2020 | | | |
|---|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | | | | | | | | |
| Commissions | 50,158 | 38,613 | 22,927 | 9,259 | 7,045 | 3,915 | 2,550 | 2,917 |
| <i>Commissions - Q/Q</i> | <i>612%</i> | <i>886%</i> | <i>799%</i> | <i>217%</i> | <i>74%</i> | <i>13%</i> | <i>(25)%</i> | <i>(39)%</i> |
| Fee Income / Other Revenue | 321 | 185 | 168 | 50 | 45 | 24 | 44 | 19 |
| <i>Fee Income / Other Revenue - Q/Q</i> | <i>613%</i> | <i>671%</i> | <i>282%</i> | <i>163%</i> | <i>165%</i> | <i>(47)%</i> | <i>(37)%</i> | <i>(42)%</i> |
| Total Revenue | 50,479 | 38,798 | 23,095 | 9,309 | 7,090 | 3,939 | 2,594 | 2,936 |
| <i>Total Revenue - Q/Q</i> | <i>612%</i> | <i>885%</i> | <i>790%</i> | <i>217%</i> | <i>79%</i> | <i>12%</i> | <i>(25)%</i> | <i>(39)%</i> |

SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

The preparation of the Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures as of the date of the Financial Statements. Actual results may differ from estimates under different assumptions and conditions.

Significant judgments include measure of share-based payment arrangements. Our significant judgments have been reviewed and approved by the Audit Committee for completeness of disclosure on what management believes would be relevant and useful to investors in interpreting the amounts and disclosures in the Financial Statements.

CHANGES IN ACCOUNTING POLICIES

Amendments to IAS 1, Presentation of Financial Statements (“IAS 1”) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that, “[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” These amendments were effective January 1, 2020. The amendments to the definition of material have not had a significant impact on the Company’s Financial Statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company’s operations. Standards issued but not yet effective up to the date of issuance of the Financial Statements are described below. This description is of the standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

In January 2020, the IASB issued amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement rate and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In May 2020, the IASB issued Annual Improvements to IFRSs 2018 - 2020 Cycle. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 — First-time Adoption of International Financial Reporting Standards in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 — Financial Instruments in relation to which fees an entity includes when applying the “10 percent” test for derecognition of financial liabilities, iii) IAS 41 — Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv)

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

IFRS 16 — Leases in relation to an illustrative example of reimbursement for leasehold improvements. The Company does not expect any material impact from the adoption of these amendments.

In August 2020, the IASB issued a package of amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases in response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies’ financial statements. These amendments complement amendments issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The new amendments relate to:

- *changes to contractual cash flows* – a company will not be required to derecognize or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- *hedge accounting* – a company will not have to discontinue its hedge accounting solely because it makes changes required by the interest rate benchmark reform if the hedge meets other hedge accounting criteria; and
- *disclosures* – a company will be required to disclose information about new risks that arise from the interest rate benchmark reform and how the company manages the transition to alternative benchmark rates.

These amendments are effective on or after January 1, 2021, with early adoption permitted.

In February 2021, the IASB issued amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In February 2021, the IASB issued amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

The Company’s Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) have designed controls to provide reasonable assurance that: (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time frame specified in the securities legislation.

Based on the evaluations, the CEO and CFO have concluded that the Company’s disclosure controls and procedures were adequate and effective.

Internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

THE REAL BROKERAGE, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the criteria described in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of its evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Inherent limitations

It should be noted that in a control system, no matter how well conceived and operated, provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management’s assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override.

Key management compensation

The Company’s key management personnel are comprised of the CEO, the CFO, the Chief Product Officer, the Chief Strategy Officer, and other members of the executive team. Key management personnel compensation for the period consisted of the following:

| | <i>For the Year Ended</i> | |
|---|---------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Salaries and Benefits | 1,476 | 849 |
| Consultancy | 270 | 44 |
| Stock-Based Compensation | 2,412 | 947 |
| Compensation Expenses Related to Key Management | 4,158 | 1,840 |

MARKET CONDITIONS AND INDUSTRY TRENDS

Throughout the year ended December 31, 2021, existing home sales rose 8.5% from December 30, 2020 to an annualized 6.18 million, suggesting a slight easing in home-price growth. While cooling since the end of 2020, buyer demand remains firm due to the limited number of affordable homes on the market.

According to the National Association of Realtors (“NAR”) housing statistics, total housing inventory at the end of December 2021 amounted to 910,000 units, down 14.2% from one year ago, also an all-time low since January 1999. At the current pace, unsold inventory represents 1.8 months of supply, down from 1.9 months in December 2020. It is common within the real estate industry to view anything below a five month of supply as a sign of a tight market.

In December, properties remained on the market for an average of 19 days and nearly 79% of all homes sold were on the market for less than a month. The median existing-home price for all housing types increased 15.8% from December 2020. Additionally, 23% of all homes sold were all-cash, which is up from 19% a year ago, fueled by huge wealth gains from both housing equity and the stock market. We believe that these economic indicators represent a seller’s market, making the high producing, and listing focused teams that Real is attracting even more meaningful.

According to the NAR, mortgage rates on commitments for 30-year, conventional, fixed-rate mortgages averaged 3.10% for December 2021, compared to 3.11% across all of 2020. Some lenders have increased their rates to account for the risk and overall financial uncertainty. Low mortgage rates are pushing buyers into the market as well as driving an increase in refinance applications.

The Company is positioned to grow in spite of the recent fluctuations of the real estate market. We believe in the ability to leverage our low- cost operating model, affording agents and brokers increased income and equity ownership opportunities. We are also seeking to generate revenue through ancillary services and a variety of channels to diversify our income sources.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about as of the date of this MD&A, or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks occur, the Company's business may be harmed, and its financial condition and the results of operation may suffer significantly.

Limited operating history

Our limited operating history makes it difficult for potential investors to evaluate our business or prospective operations. As a young company, we are subject to all the risks inherent in a developing organization, financing, expenditures, complications and delays inherent in a new business. Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive and evolving environment. Our business is dependent upon the implementation of our business plan. We may not be successful in implementing such plan and cannot guarantee that, if implemented, we will ultimately be able to attain profitability.

Managing Agent Growth

Real may not be able to scale its business quickly enough to meet the growing needs of its affiliated real estate professionals and if Real is not able to grow efficiently, its operating results could be harmed. As Real adds new real estate professionals, Real will need to devote additional financial and human resources to improving its internal systems, integrating with third-party systems, and maintaining infrastructure performance. In addition, Real will need to appropriately scale its internal business systems and our services organization, including support of our affiliated real estate professionals as its demographics expand over time. Any failure of or delay in these efforts could cause impaired system performance and reduced real estate professional satisfaction.

These issues could reduce the attractiveness of Real to existing real estate professionals who might leave Real and result in decreased attraction of new real estate professionals and reduced revenue and financial results.

Additional financing

From time to time, Real may need additional financing to operate or grow its business. Real's ability to obtain additional financing, if and when required, will depend on investor and lender willingness, its operating performance, the condition of the capital markets and other facts, and Real cannot assure anyone that additional financing will be available to it on favorable terms when required, or at all. If Real raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of its Common Shares, and its existing shareholders may experience dilution. If Real is unable to obtain adequate financing or financing on terms satisfactory to it when it requires it, its ability to continue to support the operation or growth of its business could be significantly impaired and its operating results may be harmed.

Reliance on United States real estate market

Real's financial performance is closely tied to the strength of the residential real estate market in the United States, which is cyclical in nature and typically is affected by changes in conditions that are beyond Real's control. Macroeconomic conditions that could adversely impact the growth of the real estate market and have a material adverse effect on our business include, but are not limited to, economic slowdown or recession, increased unemployment, increased energy costs, reductions in the availability of credit or higher interest rates, increased costs of obtaining mortgages, an increase in foreclosure activity, inflation, disruptions in capital markets, declines in the stock market, adverse tax policies or changes in other regulations, lower consumer confidence, lower wage and salary levels, or the public perception that any of these events may occur. Unfavorable general economic conditions in the United States or other markets Real enters and operates within could negatively affect the affordability of, and consumer demand for, our services which could have a material adverse effect on our business and profitability. In addition, federal and state governments, agencies and government-sponsored entities could take actions that result in unforeseen consequences to the real estate market or that otherwise could negatively impact Real's business.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

Regulation of United States real estate market

Real operates in the real estate industry which is a heavily regulated industry subject to complex, federal, state, provincial and local laws and regulations and third-party organizations' regulations, policies and bylaws. Generally, the laws, rules and regulations that apply to Real's business practices include, without limitation, the Real Estate Settlement Procedures Act ("RESPA"), the Fair Housing Act, the Dodd-Frank Act, and federal advertising and other laws, as well as comparable state statutes; rules of trade organizations such as NAR, local Multiple Listing Services, and state and local Associations of Realtors, licensing requirements and related obligations that could arise from our business practices relating to the provision of services other than real estate brokerage services; privacy regulations relating to our use of personal information collected from the registered users of our websites; laws relating to the use and publication of information through the Internet; and state real estate brokerage licensing requirements, as well as statutory due diligence, disclosure, record keeping and standard-of-care obligations relating to these licenses.

Additionally, the Dodd-Frank Act contains the Mortgage Reform and Anti-Predatory Lending Act (the "**Mortgage Act**"), which imposes a number of additional requirements on lenders and servicers of residential mortgage loans, by amending certain existing provisions and adding new sections to RESPA and other federal laws.

It also broadly prohibits unfair, deceptive or abusive acts or practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Maintaining legal compliance is challenging and increases business costs due to resources required to continually monitor business practices for compliance with applicable laws, rules and regulations, and to monitor changes in the applicable laws themselves.

Real may not become aware of all the laws, rules and regulations that govern its business, or be able to comply with all of them, given the rate of regulatory changes, ambiguities in regulations, contradictions in regulations between jurisdictions, and the difficulties in achieving both company-wide and region-specific knowledge and compliance.

Success of the platform

Our business strategy is dependent on our ability to develop platforms and features to attract new businesses and users, while retaining existing ones. Staffing changes, changes in user behavior, changes in agent growth rate or development of competing platforms may cause users to switch to alternative platforms or decrease their use of our platform. There is no guarantee that agents will use these features and we may fail to generate revenue. Additionally, any of the following events may cause decreased use of our platform:

- emergence of competing platforms and applications with novel technologies;
- inability to convince potential agents to join our platform;
- technical issues or delays in releasing, updating or integrating certain platforms or in the cross-compatibility of multiple platforms;
- security breaches with respect to our data;
- a rise in safety or privacy concerns; and
- an increase in the level of spam or undesired content on the network.

Management team

We are highly dependent on our management team, specifically our CEO. If we lose key employees, our business may suffer. Furthermore, our future success will also depend in part on the continued service of our key management personnel and our ability to identify, hire, and retain additional personnel. We do not carry "key-man" life insurance on the lives of our executive officers, employees or advisors. We experience intense competition for qualified personnel and may be unable to attract and retain the personnel necessary for the development of our business. Because of this competition, our compensation costs may increase significantly.

Monetization of platform

There is no guarantee that our efforts to monetize the Real platform will be successful. Furthermore, our competitors may introduce more advanced technologies that deliver a greater value proposition to realtors in the future. These factors individually or collectively

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

may preclude us from effectively monetizing our business which would have a material adverse effect on our financial condition and results of operation.

Seasonality of operations

Seasons and weather traditionally impact the real estate industry in the jurisdictions where Real operates. Continuous poor weather or natural disasters negatively impact listings and sales. Spring and summer seasons historically reflect greater sales periods in comparison to fall and winter seasons. Real has historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces Real's operating income, net income, operating margins and cash flow.

Real estate listings precede sales and a period of poor listings activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance, and macroeconomic shifts in the markets Real serves can conceal the impact of poor weather or seasonality.

Agent engagement

Our business model involves attracting real estate agents to our platform. There is no guarantee that growth strategies will bring new agents to our network. Changes in relationships with our partners, contractors and businesses we retain to grow our network may result in significant increases in the cost to acquire new agents. In addition, new agents may fail to engage with our network to the same extent current agents are engaging with our network resulting in decreased use of our network.

Decreases in the size of our agent base and/or decreased engagement on our network may impair our ability to generate revenue.

Managing growth of operations

Successful implementation of our business strategy requires us to manage our growth. Growth could place an increasing strain on our management and financial resources. To manage growth effectively, we need to continuously: (i) evaluate definitive business strategies, goals and objectives; (ii) maintain a system of management controls; and (iii) attract and retain qualified personnel, as well as develop, train and manage management-level and other employees. If we fail to manage our growth effectively, our business, financial condition or operating results could be materially harmed.

Competition

We compete with both start-up and established technology companies and brokerages. Our competitors may have substantially greater financial, marketing and other resources than we do and may have been in business longer than we have or have greater name recognition and be better established in the technological or real estate markets than we are. If we are unable to compete successfully with other businesses in our existing market, we may not achieve our projected revenue and/or user targets which may have a material adverse effect on our financial condition.

Volatility

The market price of our Common Shares could fluctuate significantly in response to various factors and events, including, but not limited to: our ability to execute our business plan; operating results below expectations; announcements regarding regulatory developments with respect to the real estate industry; our issuance of additional securities, including debt or equity or a combination thereof, necessary to fund our operating expenses; announcements of technological innovations or new products by us or our competitors; and period-to-period fluctuations in our financial results. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Common Shares.

An investment in our securities is speculative and involves a high degree of risk. Potential investors should be aware that the value of an investment in the Company may go down as well as up. In addition, there can be no certainty that the market value of an investment in the Company will fully reflect its underlying value. Investors could lose their entire investment. Because we can issue additional Common Shares, purchasers of our Common Shares may incur immediate dilution and experience further dilution.

THE REAL BROKERAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

As of the date of this MD&A, we are authorized to issue an unlimited number of Common Shares. Our board of directors (the “**Board**”) has the authority to cause us to issue additional Common Shares without consent of any of shareholders. Consequently, our shareholders may experience further dilution in their ownership of our stock in the future, which could have an adverse effect on the trading market for our Common Shares.

Furthermore, our articles give our Board the right to create one or more new classes or series of shares. As a result, our Board may, without shareholder approval, issue shares of a new class or series with voting, dividend, conversion, liquidation or other rights that could adversely affect the voting power and equity interests of the holders of our Common Shares, as well as the price of our Common Shares.

Cyber security threats

A cyber incident is an intentional or unintentional event that could threaten the integrity, confidentiality or availability of the Company’s information resources. These events include, but are not limited to, unauthorized access to information systems, a disruption to our information systems, or loss of confidential information. Real’s primary risks that could result directly from the occurrence of a cyber incident include operational interruption, damage to our public image and reputation, and/or potentially impact the relationships with our customers.

We have implemented processes, procedures and controls to mitigate these risks, including, but not limited to, firewalls and antivirus programs and training and awareness programs on the risks of cyber incidents. These procedures and controls do not guarantee that the financial results may not be negatively impacted by such an incident.

COVID-19 impact

Since early 2020, COVID-19 (including variants) has had significant impact on the global economy and the financial markets. This unprecedented situation has created considerable risks and uncertainties for the U.S. real estate services industry by disrupting supply chain channels leading to lower housing inventory and making the existing home prices rise significantly. The extent of the impact of the pandemic on our operations will depend on future developments, which are highly uncertain and cannot be predicted at this time, and including consumer spending, housing market inventory growth, and the extent of government regulation.

SUBSEQUENT EVENTS

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**”).

The aggregate purchase price for 100% of the issued and outstanding equity interests of Expetitle was for aggregate cash consideration \$8,232 with \$7,432 payable in cash at the closing of the Expetitle Transaction and \$800 subject to escrow, that will be released after twelve (12) months upon the satisfaction or waiver of certain terms and conditions.

In connection with the Transaction, Real also granted an aggregate of 700 Options and an aggregate of 1.1 million RSUs to members of the Expetitle team. The Options will vest quarterly over 3 years and are exercisable for a period of 3 years at \$3.60 per share. The RSUs will vest quarterly over 3 years.

The Company has determined 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.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of U.S. dollars and in thousands per unit amounts)

OUTSTANDING SHARE DATA

As of March 18, 2022, the Company had 178,217,397 Common Shares issued and outstanding.

In addition, as of March 18, 2022 there were 20,565 Options outstanding with exercises prices ranging from \$0.03 to \$3.40 per share and expiry dates ranging from January 2026 to November 2031. Each Option is exercisable for one Common Share. A total of 6,413 RSUs were outstanding. Once vested, a total of 6,413 Common Shares will be issuable pursuant to the outstanding RSUs.

ADDITIONAL INFORMATION

These documents, as well as additional information regarding Real, have been filed electronically on Real's website at www.joinreal.com and under the Company's profile at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tamir Poleg, Chairman & Chief Executive Officer

AJ Malhotra, Director ⁽¹⁾

Guy Gamzu, Director ⁽²⁾

Larry Klane, Director ⁽¹⁾

Laurence Rose, Director ⁽²⁾

Vikki Bartholomae, Director ⁽¹⁾

EXECUTIVE TEAM

Tamir Poleg, Chairman & Chief Executive Officer

Michelle Ressler, Chief Financial Officer

Raj Naik, Chief Operating Officer

Pritesh Damani, Chief Technology Officer

Sheila Dunagan, EVP of Brokerage Operations

⁽¹⁾ Audit Committee

⁽²⁾ Compensation Committee

ANNUAL MEETING OF SHAREHOLDERS (VIRTUAL)

June 13, 2022 9:00AM ET

Stock exchange listing

NASDAQ: REAX

TSX.V: REAX.V

EMPLOYEES

As of April 25, 2022 the Company had 105 employees

REGISTRAR & TRANSFER AGENT

Computershare Investor Service Inc.

100 University Avenue, 8th Fl.

Toronto, Ontario M5J 2Y1

T: 1.800.564.6253

E: service@computershare.com

www.computershare.com

For help with questions about the Company, or to receive additional corporate information, please contact:

INVESTOR RELATIONS

Jason Lee, Vice President of Capital Markets & Investor Relations

Email: investors@therealbrokerage.com

WEB SITE ADDRESS

www.therealbrokerage.com



real

Real Broker, LLC
Licensed Real Estate Broker | 1-855-450-0442

Broker licensed in: Alaska, Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin. View state licenses.

In LA we do business as Real Broker LLC;
Address: 27 West 24 Street, Suite 407, New York, NY, 10010
In CA we do business as Real Brokerage Technologies, Inc. CalBRE #2022092;
Address: 1420 Kettner Blvd. # 100, San Diego, CA 92101