THE REAL BROKERAGE INC.

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Interim Condensed Consolidated Financial Statements
For the Period Ended June 30, 2024
(Unaudited)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS
(Expressed in thousands of U.S. dollars)
UNAUDITED

	As of	
	June 30, 2024	**December 31, 2023**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 23,316	$ 14,707
Restricted cash	33,124	12,948
Funds held in restricted escrow account	9,250	-
Investments in financial assets	10,276	14,222
Trade receivables	18,631	6,441
Other receivables	56	63
Prepaid expenses and deposits	1,541	2,132
TOTAL CURRENT ASSETS	**96,194**	**50,513**
NON-CURRENT ASSETS		
Intangible assets	2,996	3,442
Goodwill	8,993	8,993
Property and equipment	1,977	1,600
TOTAL NON-CURRENT ASSETS	**13,966**	**14,035**
TOTAL ASSETS	**110,160**	**64,548**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	1,196	571
Accrued liabilities	33,629	13,374
Customer deposits	33,124	12,948
Other payables	11,028	302
Warrants outstanding	356	-
TOTAL CURRENT LIABILITIES	**79,333**	**27,195**
NON-CURRENT LIABILITIES		
Warrants outstanding	-	269
TOTAL NON-CURRENT LIABILITIES	**-**	**269**
TOTAL LIABILITIES	**79,333**	**27,464**
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS		
Share premium	79,075	62,567
Stock-based compensation reserves	57,020	52,937
Deficit	(95,517)	(78,205)
Other reserves	422	(167)
Treasury stock, at cost	(10,435)	(257)
EQUITY ATTRIBUTABLE TO OWNERS	**30,565**	**36,875**
Non-controlling interests	262	209
TOTAL EQUITY	**30,827**	**37,084**
TOTAL LIABILITIES AND EQUITY	**110,160**	**64,548**

The accompanying notes form an integral part of the condensed consolidated financial statements.

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

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2024	**2023**	**2024**	**2023**
Revenues	$ 340,778	$ 185,332	$ 541,521	$ 293,177
Commissions and other agent-related costs	308,910	167,573	488,894	264,610
Gross Profit	**31,868**	**17,759**	**52,627**	**28,567**
General and administrative expenses	14,015	9,654	26,151	18,292
Marketing expenses	15,889	10,266	28,518	17,950
Research and development expenses	2,608	1,579	5,070	3,103
Settlement of litigation	-	-	9,250	-
Operating Loss	**(644)**	**(3,740)**	**(16,362)**	**(10,778)**
Other income	57	40	230	68
Finance expenses, net	(523)	(272)	(1,075)	(577)
Net Loss	**(1,110)**	**(3,972)**	**(17,207)**	**(11,287)**
Net income attributable to noncontrolling interests	105	146	105	226
Net Loss Attributable to the Owners of the Company	**(1,215)**	**(4,118)**	**(17,312)**	**(11,513)**
Other comprehensive income/(loss):				
Cumulative (gain)/loss on investments in debt instruments classified as FVTOCI reclassified to profit or loss	51	42	94	135
Foreign currency translation adjustment	376	(85)	495	62
Total Comprehensive Loss Attributable to Owners of the Company	**(788)**	**(4,161)**	**(16,723)**	**(11,316)**
Total Comprehensive Income Attributable to NCI	105	146	105	226
Total Comprehensive Loss	**(683)**	**(4,015)**	**(16,618)**	**(11,090)**
Loss per share				
Basic and diluted loss per share	(0.01)	(0.02)	(0.09)	(0.06)
Weighted-average shares, basic and diluted	**189,046**	**179,764**	**186,568**	**178,252**

The accompanying notes form an integral part of the condensed consolidated financial statements.

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

	Share Premium	Stock-Based Compensation Reserve	Foreign Exchange Translation Reserve	Investments Revaluations Reserve	Deficit	Treasury Stock	Equity Attributable to Owners	Non-Controlling Interests	Total Equity
Balance at, January 1, 2024	**62,567**	**52,937**	**262**	**(429)**	**(78,205)**	**(257)**	**36,875**	**209**	**37,084**
Total loss and income	-	-	-	-	(17,312)	-	(17,312)	105	(17,207)
Total other comprehensive income	-	-	495	94	-	-	589	-	589
Distributions paid to non-controlling interest	-	-	-	-	-	-	-	(52)	(52)
Acquisition of commons shares for Restricted Share Unit (RSU) Plan	-	-	-	-	-	(15,226)	(15,226)	-	(15,226)
Release of treasury shares	(5,048)	-	-	-	-	5,048	-	-	-
Issuance of Restricted Share Units	14,801	(14,801)	-	-	-	-	-	-	-
Exercise of stock options	7,021	(3,398)	-	-	-	-	3,623	-	3,623
Exercise of warrants	475	(98)	-	-	-	-	377	-	377
Shares withheld for taxes	(741)	-	-	-	-	-	(741)	-	(741)
Equity-settled share-based payment	-	22,380	-	-	-	-	22,380	-	22,380
Balance at, June 30, 2024	**79,075**	**57,020**	**757**	**(335)**	**(95,517)**	**(10,435)**	**30,565**	**262**	**30,827**
Balance at, January 1, 2023	**63,204**	**25,083**	**290**	**(759)**	**(50,704)**	**(14,962)**	**22,152**	**263**	**22,415**
Total loss and income	-	-	-	-	(11,513)	-		226	(11,287)
Total other comprehensive income	-	-	62	135	-	-		-	197
Acquisition of commons shares for Restricted Share Unit (RSU) Plan	-	-	-	-	-	(1,411)		-	(1,411)
Release of treasury shares	(12,045)	-	-	-	-	12,045	-	-	-
Issuance of Restricted Share Units	4,794	(4,794)	-	-	-	-	-		-
Exercise of stock options	313	(101)	-	-	-	-		-	212
Equity-settled share-based payment	-	11,836	-	-	-	-		-	11,836
Balance at, June 30, 2023	**56,266**	**32,024**	**352**	**(624)**	**(62,217)**	**(4,328)**	**21,473**	**489**	**21,962**

The accompanying notes form an integral part of the condensed consolidated financial statements**.**

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

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2024	**2023**	**2024**	**2023**
OPERATING ACTIVITIES				
Net Loss	$ (1,110)	$ (3,972)	$ (17,207)	$ (11,287)
Adjustments for:				
Depreciation and amortization	340	284	666	553
Equity-settled share-based payment	13,536	6,075	22,380	11,836
Finance costs	271	116	671	299
Changes in operating asset and liabilities:				
Funds Held in Restricted Escrow Account	(9,250)	-	(9,250)	-
Trade receivables	(9,096)	(526)	(12,190)	(378)
Other receivables	34	23	7	22
Prepaid expenses and deposits	(319)	(306)	591	(530)
Accounts payable	103	776	625	672
Accrued liabilities	12,415	6,333	20,255	9,414
Customer deposits	8,684	14,144	20,176	22,099
Other payables	362	641	10,726	166
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,970**	**23,588**	**37,450**	**32,866**
INVESTING ACTIVITIES				
Purchase of property and equipment	(501)	(110)	(597)	(250)
Investment Deposits in Debt Instruments held at FVTOCI	(1,542)	(3,223)	(1,713)	(3,729)
Investment Withdrawals in Debt Instruments held at FVTOCI	5,730	845	5,752	845
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**3,687**	**(2,488)**	**3,442**	**(3,134)**
FINANCING ACTIVITIES				
Purchase of common shares for Restricted Share Unit (RSU) Plan	(10,603)	(810)	(15,226)	(1,411)
Shares withheld for taxes	(420)	-	(741)	-
Proceeds from exercise of stock options	3,010	146	3,623	212
Payment of lease liabilities	-	(16)	-	(96)
Cash disbursements for non-controlling interest	(14)	-	(52)	-
NET CASH USED IN FINANCING ACTIVITIES	**(8,027)**	**(680)**	**(12,396)**	**(1,295)**
Net change in cash, cash equivalents and restricted cash	11,630	20,420	28,496	28,437
Cash, cash equivalents and restricted cash, beginning of period	44,512	26,411	27,655	18,327
Fluctuations in foreign currency	298	(87)	289	(19)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, ENDING BALANCE	**$ 56,440**	**$ 46,745**	**$ 56,440**	**$ 46,745**
SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES				
Cashless exercise of warrants	377	-	377	-

1. GENERAL INFORMATION

The Real Brokerage Inc. ("**Real**" or the "**Company**") is a growing real estate technology company located in the United States and Canada. Real is taking a first principles approach to redefining the role of a real estate brokerage in the lives of agents and within the broader housing ecosystem. The Company focuses on developing technology to enhance real estate agent performance while building a scalable, efficient brokerage operation that is not dependent on a cost-heavy brick and mortar presence in the markets in which Real operates. Real's goal is to establish the Company as the destination brokerage for agents, by offering an unmatched combination of technology, support, and financial incentives. Real's vision is to transform home buying under the guidance of an agent via an integrated consumer portal and app, while growing attachment of ancillary services including mortgage brokerage and title insurance. Concurrently, Real plans to expand its suite of tools and products tailored for agents, including mobile banking, payment solutions, and wealth management tools, to facilitate their journey towards generational wealth.

The consolidated operations of Real include the subsidiaries of Real, including those involved in the brokerage, title and mortgage broker operations.

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**"). On May 19, 2022, the Company announced that it renewed its NCIB to be transacted through the facilities of the NASDAQ Capital Market ("**NASDAQ**") and other stock exchanges and/or alternative trading systems in the United States and/or Canada. Pursuant to the NCIB, Real was able to purchase up to 8.9 million common shares of the Company ("**Common Shares**"), representing approximately 5% of the total 178.3 million Common Shares issued and outstanding as of May 19, 2022. On May 24, 2023, the Company announced that it renewed its NCIB pursuant to which Real may purchase up to approximately 9.0 million Common Shares, representing approximately 5% of the total 180 million Common Shares issued and outstanding as of May 18, 2023. On May 14, 2024, the Company announced that it renewed its NCIB again pursuant to which Real may purchase up to approximately 9.47 million Common Shares, representing approximately 5% of the total 189 million Common Shares issued and outstanding as of May 1, 2024. Purchases are made at prevailing market prices and may be conducted during the twelve-month period ended May 28, 2025.

The NCIB is being conducted to acquire Common Shares for the purposes of satisfying restricted share unit (each, an "**RSU**") obligations. The Company appointed CWB Trust Services (the "**Trustee**") as the trustee for the purposes of arranging the acquisition of Common Shares and to hold the Common Shares in trust for the purposes of satisfying RSU payments as well as to manage other administrative matters. RBC Capital Markets was engaged to undertake purchases under the NCIB.

During the quarter ended June 30, 2024, the Company repurchased 2.7 million Common Shares for a total of $10.6 million.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2023.

A. Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements for the period ended December 31, 2023. These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 2, 2024.

All dollar amounts are in U.S. dollars unless otherwise stated.

B. Recent Accounting Pronouncements

In April 2024, the IASB issued IFRS 18 “Presentation and Disclosure in Financial Statements” (“IFRS 18”). IFRS 18 mainly introduces three sets of requirements to give investors more transparent and comparable information about companies’ financial performance: additional subtotals with newly defined categories for classifying income and expenses in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for more useful grouping of information in the financial statements.

The impact of IFRS 18 on Real's consolidated financial statements is being evaluated.

3. REVENUE

In the following table, revenue (in thousands) from contracts with customers is disaggregated by major service lines.

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2024	**2023**	**2024**	**2023**
Main revenue streams				
Commissions	338,574	184,022	537,826	291,137
Title	1,255	948	2,050	1,546
Mortgage Income	949	362	1,645	494
Total Revenue	**340,778**	**185,332**	**541,521**	**293,177**
Timing of Revenue Recognition				
Products and Services Transferred at a Point in Time	340,778	185,332	541,521	293,177
Revenue from Contracts with Customers	**340,778**	**185,332**	**541,521**	**293,177**

4. EXPENSES BY NATURE

In the following table, cost of sales represents real estate commissions paid to the Company's agents, as well as to outside brokerages in Canada, and Title Fee Expenses (in thousands).

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2024	**2023**	**2024**	**2023**
Commissions and other agent-related costs	**308,910**	**167,573**	**488,894**	**264,610**
Operating Expenses				
General and Administrative Expenses	**14,015**	**9,654**	**26,151**	**18,292**
Salaries and Benefits	6,566	4,689	12,434	9,167
Stock Based Compensation	2,066	1,128	3,420	2,087
Administrative Expenses	933	905	1,769	1,590
Professional Fees	3,304	1,968	6,422	3,615
Depreciation Expense	340	284	666	553
Other General and Administrative Expenses	806	680	1,440	1,280
Marketing Expenses	**15,889**	**10,266**	**28,518**	**17,950**
Salaries and Benefits	237	203	442	310
Stock Based Compensation for Employees	1	11	5	22
Stock Based Compensation for Agents	2,335	1,640	4,472	3,181
Revenue Share	12,475	7,684	21,539	13,118
Other Marketing and Advertising Cost	841	728	2,060	1,319
Research and Development Expenses	**2,608**	**1,579**	**5,070**	**3,103**
Salaries and Benefits	1,322	748	2,713	1,406
Stock Based Compensation	198	75	333	125
Other Research and Development	1,088	756	2,024	1,573
Settlement of Litigation	**-**	**-**	**9,250**	**-**
Total Cost of Sales and Operating Expenses	**341,422**	**189,072**	**557,883**	**303,955**

Finance Expenses

The following table provides a detailed breakdown of Finance costs (in thousands) as reported in the Condensed Consolidated Statement of Income (Loss):

	Three Months Ended June 30,		*Six Months Ended June 30,*	
Description	**2024**	**2023**	**2024**	**2023**
Change in Fair Value of Warrants Outstanding	200	123	471	81
Realized Losses (Gains)	(55)	77	(2)	85
Bank Fees	201	156	311	278
Finance Costs	177	(84)	295	133
Total Finance Expenses	**523**	**272**	**1,075**	**577**

5. OPERATING SEGMENTS DISCLOSURES

The businesses of the Company are divided operationally into three identified operating segments: North American Brokerage, One Real Title and One Real Mortgage. North American Brokerage generates revenue by processing real estate transactions which entitles the Company to commissions. One Real Title generates revenue by offering title insurance and closing services for residential and/or commercial transactions. One Real Mortgage derives revenue from premiums associated with facilitating mortgage transactions between borrowers and lenders.

The Company has identified one reportable segment, North American Brokerage which comprises of more than 90% of Group's total revenue and net loss. The other two segments, One Real Title and One Real Mortgage are not considered as reporting segments as their revenue and net loss do not meet quantitative threshold set for reporting segments. These two segments are disclosed in an 'other segments' category below.

The Company uses judgement in determining its operating segments by taking into consideration the Chief Operating Decision Maker's ("CODM") assessment of overall performance and decisions such as resource allocations and delegation of authority. The CODM is the Company's Chief Executive Officer.

The presentation in this note for prior periods have been restated based on the current segment reporting.

Segment performance is evaluated based on income (loss) from operations and is measured consistently with income or loss in the consolidated financial statements.

The following tables present significant information about the Company's reportable operating segments as reported to the Company's CODM:

	For the Three Months Ended June 30, 2024		
	North American Brokerage	**Other Segments**	**Total**
Revenues	338,574	2,204	340,778
Commissions and other agent-related costs	308,268	642	308,910
Gross Profit	**30,306**	**1,562**	**31,868**
General and administrative expenses	11,546	2,469	14,015
Marketing expenses	15,866	23	15,889
Research and development expenses	2,571	37	2,608
Operating Loss	**323**	**(967)**	**(644)**
Other income (expenses), net	57	-	57
Finance expenses, net	(499)	(24)	(523)
Net Loss	**(119)**	**(991)**	**(1,110)**

	For the Six Months Ended June 30, 2024		
	North American Brokerage	**Other Segments**	**Total**
Revenues	537,826	3,695	541,521
Commissions and other agent-related costs	487,736	1,158	488,894
Gross Profit	**50,090**	**2,537**	**52,627**
General and administrative expenses	21,691	4,460	26,151
Marketing expenses	28,457	61	28,518
Research and development expenses	5,006	64	5,070
Litigation expenses	9,250	-	9,250
Operating Loss	**(14,314)**	**(2,048)**	**(16,362)**
Other income (expenses), net	230	-	230
Finance expenses, net	(1,041)	(34)	(1,075)
Net Loss	**(15,125)**	**(2,082)**	**(17,207)**

	For the Three Months Ended June 30, 2023		
	North American Brokerage	**Other Segments**	**Total**
Revenues	184,022	1,310	185,332
Commissions and other agent-related costs	167,204	369	167,573
Gross Profit	**16,818**	**941**	**17,759**
General and administrative expenses	7,905	1,749	9,654
Marketing expenses	10,240	26	10,266
Research and development expenses	1,561	18	1,579
Operating Loss	**(2,889)**	**(852)**	**(3,740)**
Other income (expenses), net	40	-	40
Finance expenses, net	(270)	(2)	(272)
Net Loss	**(3,118)**	**(854)**	**(3,972)**

	For the Six Months Ended June 30, 2023		
	North American Brokerage	**Other Segments**	**Total**
Revenues	291,137	2,040	293,177
Commissions and other agent-related costs	264,067	543	264,610
Gross Profit	**27,070**	**1,497**	**28,567**
General and administrative expenses	14,748	3,545	18,292
Marketing expenses	17,895	55	17,950
Research and development expenses	3,070	33	3,103
Operating Loss	**(8,643)**	**(2,136)**	**(10,778)**
Other income (expenses), net	68	-	68
Finance expenses, net	(574)	(3)	(577)
Net Loss	**(9,148)**	**(2,139)**	**(11,287)**

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the current and in the prior year.

The assets and liabilities of each segment are not reported to the CODM on a regular basis therefore they are not disclosed in these condensed consolidated financial statements.

The amount of revenue from external customers, by geography, is shown in the table below:

	For the Three Months Ended	
	June 30, 2024	**June 30, 2023**
United States	296,261	157,645
Canada	44,517	27,687
Total revenue by region	**340,778**	**185,332**

	For the Six Months Ended	
	June 30, 2024	**June 30, 2023**
United States	472,750	253,354
Canada	68,771	39,823
Total revenue by region	**541,521**	**293,177**

6. 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 Common Shares 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 Common Shares outstanding plus any potentially dilutive Common Shares outstanding during the period. The Company does not pay dividends or have participating shares outstanding.

The following table outlines the number of Common Shares (in thousands) and basic and diluted loss per share.

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2024	**2023**	**2024**	**2023**
Issued Common Shares at the beginning of the period	187,188	178,629	183,606	178,201
Effect of Treasury Purchases	(1,522)	-	(2,168)	-
Release of Shares	517	-	1,037	-
Effect of Warrant Exercise	29	-	15	-
Effect of Treasury Issuance	1,822	205	2,824	-
Effect of Share Options Exercise	1,012	930	1,254	51
Weighted-average numbers of Common Shares	**189,046**	**179,764**	**186,568**	**178,252**
Loss per share				
Basic and diluted loss per share	**(0.01)**	**(0.02)**	**(0.09)**	**(0.06)**

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	For the Period Ended	
	June 30, 2024	**June 30, 2023**
Options	18,787	22,740
RSU	25,551	22,071
Total	**44,338**	**44,811**

7. SHARE-BASED PAYMENT ARRANGEMENTS

A. Description of share-based payment arrangements

Stock option plan (equity-settled)

On January 20, 2016, the Company established a stock option plan (the "**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 Common Shares for the exercise price as determined at the grant date.

On February 26, 2022, the Company established an omnibus incentive plan providing for up to 20% of the issued and outstanding Common Shares as of the date thereof (being 35.6 million Common Shares, less RSUs and Options outstanding under other equity inventive plans) to be issued as RSUs or Options to directors, officers, employees, and consultants of the Company (the "**Omnibus Incentive Plan**"). The Omnibus Incentive Plan was approved by shareholders of the Company on June 13, 2022.

In connection with the graduation to the TSX, the Company amended its Omnibus Incentive Plan (the "**A&R Plan**") on July 13, 2022, and the Company's shareholders approved the A&R Plan on June 9, 2023. Pursuant to the A&R Plan, the maximum number of Common Shares issuable pursuant to outstanding Options at any time shall be limited to 15% of the aggregate number of issued and outstanding Common Shares as of the applicable award date less the number of Common Shares issuable pursuant to Options under the A&R Plan or any other security-based compensation arrangement of the Company. In addition, the Company is authorized to grant up to 70,000,000 RSUs pursuant to the A&R Plan. The RSU limit is separate and distinct from the maximum number of Common Shares reserved for issuance pursuant to Options under the A&R Plan.

The following table depicts the number of Options granted apart from the Company's various acquisitions (in thousands):

Grant Date	Number of Options	Vesting Conditions	Contractual Life of Options
Balance January 1, 2023	**27,057**		
On March, 2023	1,500	16.7% on first anniversary, then quarterly vesting	10 years
On March, 2023	15	3 years quarterly vest	10 years
On June, 2023	65	33.3% on first anniversary, then quarterly vesting	10 years
On August, 2023	85	3 years quarterly vest	10 years
On November, 2023	10	33.3% on first anniversary, then quarterly vesting	10 years
Balance December 31, 2023	**28,732**		
Balance January 1, 2024	**28,732**		
On April, 2024	45	3 years vest	10 years
Balance June 30, 2024	**28,777**		

B. Measurement of fair value

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

	June 30, 2024	June 30, 2023
Share price	$4.31	$1.91
Expected volatility (weighted-average)	95%	108%
Expected life (weighted-average)	10 years	10 years
Expected dividends	-%	- %
Risk-free interest rate (based on US government bonds)	4.26%	3.62 - 3.65%

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

C. Reconciliation of outstanding stock-options

The following table outlines the number of Options (in thousands) and weighted-average exercise price:

	June 30, 2024		December 31, 2023	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of year	21,943	$ 0.92	21,746	$ 0.87
Granted	45	4.31	1,675	1.28
Forfeited/ Expired	(50)	2.38	(312)	1.41
Exercised	(3,151)	0.62	(1,166)	0.36
Outstanding at end of period	**18,787**	**$ 0.98**	**21,943**	**$ 0.92**
Exercisable at end of period	**14,270**	**0.81**	**15,566**	**0.72**

The Options outstanding as of June 30, 2024 had a weighted average exercise price of $0.98 (December 31, 2023: $0.92) and a weighted-average remaining contractual life of 6.9 years (December 31, 2023: 8.8 years).

D. Restricted share unit plan

Restricted share unit plan

Under the Company's agent performance grant program, the Company issues RSUs to agents based on an agent meeting certain performance metrics, and successfully attracting other performing agents to the Company. Each RSU, which has a vesting term of up to 3 years and is subject to forfeiture in certain circumstances, entitles the holder to one Common Share or the equivalent cash value, as determined in the Company's discretion. The Company recognizes expense from the issuance of these RSUs during the applicable vesting period based upon the best available estimate of the number RSUs expected to vest with a corresponding increase in stock-based compensation reserve. The expense recognized from the issuance of RSU awards for the period ended June 30, 2024 was $2 million, and was classified as marketing expense.

Under the Company's agent stock purchase program, agents purchase RSUs, which vests immediately but have a one year restriction period, using a percentage of the agent's commission that is withheld by the Company. Each RSU entitles the holder to one Common Share or the equivalent cash value, as determined in the Company's sole discretion. The RSUs are expensed in the period in which they are issued with a corresponding increase in equity. Each agent pays the Company 15% of commissions until the commission paid to the Company totals that agent's "cap" amount (the "**Cap**"). As an incentive to participate in the program, the Company issues additional RSUs ("**Bonus RSUs**") with a value of (i) 10% of the commission withheld (the percentage was 15% previously) if an agent has not met the Cap and (ii) 20% of the commission withheld (the percentage was 30% previously) if an agent has met the Cap. The Bonus RSUs have a one-year vesting term and are subject to forfeiture in certain circumstances. The RSUs purchased under the program are expensed to cost of goods sold and the Bonus RSUs are expensed to stock-based compensation expense. Bonus RUSs are amortized over the vesting period with a corresponding increase in stock-based compensation reserve.

Stock compensation awards granted to full time employees ("**FTEs**") are classified as a general and administrative, research and development, or marketing expense based on the appropriate department within the Consolidated Statements of Loss and Other Comprehensive Loss.

The following table illustrates the Company's stock activity (in thousands of units) for the restricted share units under its equity plan.

	Restricted Share Units
Balance at, December 31, 2022	**16,908**
Granted	23,400
Vested and Issued	(10,631)
Forfeited	(4,089)
Balance at, December 31, 2023	**25,588**
Granted	9,727
Vested and Issued	(8,721)
Forfeited	(1,043)
Balance at, June 30, 2024	**25,551**

Stock Based Compensation Expense

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

	For the Period Ended					
	June 30, 2024			**June 30, 2023**		
	Options Expense	*RSU Expense*	***Total***	*Options Expense*	*RSU Expense*	***Total***
COGS – Agent Stock Based Compensation	-	14,150	**14,150**	-	6,422	**6,422**
Marketing Expenses – Agent Stock Based Compensation	211	4,261	**4,472**	687	2,494	**3,181**
Marketing Expenses – FTE Stock Based Compensation	1	4	**5**	4	18	**22**
Research and Development – FTE Stock Based Compensation	15	318	**333**	54	70	**124**
General and Administrative – FTE Stock Based Compensation	1,065	2,355	**3,420**	1,389	698	**2,087**
Total Stock Based Compensation	**1,292**	**21,088**	**22,380**	**2,134**	**9,702**	**11,836**

8. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES AT FAIR VALUE

The following table provides a detailed breakdown of short-term investments (in thousands) as reported in the Condensed Consolidated Statements of Financial Positions:

Description	Estimated Fair Value December 31, 2023	Deposit / (Withdraw)	Dividends, Interest & Income	Gross Unrealized Gains / (Losses)	Estimated Fair Value June 30, 2024
Cash Investments	6,531	1,488	225	-	8,244
Fixed Income	7,597	(5,738)	-	93	1,952
Investment Certificate	94	-	-	(14)	80
Total	**14,222**	**(4,250)**	**225**	**79**	**10,276**

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. The products in the Company's 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).

9. PROPERTY AND EQUIPMENT

Reconciliation of Carrying Amounts *(in thousands)*

	Computer Equipment	Software	Furniture and Equipment	Total
Cost				
Balance at December 31, 2022	526	969	96	1,591
Disposals	-	-	(86)	(86)
Additions	138	449	-	587
Balance at December 31, 2023	664	1,418	10	2,092
Disposals	(17)	-	-	(17)
Additions	102	495	-	597
Balance at June 30, 2024	**749**	**1,913**	**10**	**2,672**
Accumulated Depreciation				
Balance at December 31, 2022	118	57	66	241
Disposals	-	-	(65)	(65)
Depreciation	125	191	-	316
Balance at December 31, 2023	243	248	1	492
Disposals	(17)	-	-	(17)
Depreciation	65	155	-	220
Balance at June 30, 2024	**291**	**403**	**1**	**695**
Carrying Amounts				
Balance at December 31, 2023	421	1,170	9	1,600
Balance at June 30, 2024	**458**	**1,510**	**9**	**1,977**

10. INTANGIBLE ASSETS

The Company's intangible assets are finite lived and consist primarily of customer relationships which is amortized on a straight-line basis over its useful life of 5 years.

Reconciliation of Carrying Amounts *(in thousands)*

	Intangible Assets
Cost	
Balance at December 31, 2022	3,933
Purchase Price Allocation Adjustment	530
Balance at December 31, 2023	4,463
Additions	-
Balance at June 30, 2024	**4,463**
Accumulated Depreciation	
Balance at December 31, 2022	225
Depreciation	796
Balance at December 31, 2023	1,021
Depreciation	446
Balance at June 30, 2024	**1,467**
Carrying Amounts	
Balance at December 31, 2023	3,442
Balance at June 30, 2024	**2,996**

11. GOODWILL

We record goodwill associated with acquisitions of businesses when the purchase price of the business exceeds the fair value of the net tangible and intangible assets acquired. We review goodwill for impairment on an annual basis in the fiscal fourth quarter or on an interim basis if an event occurs or circumstances change that indicate goodwill may be impaired.

	Realty Crunch	Expetitle	LemonBrew	Total
Cost				
Balance at December 31, 2022	602	8,393	1,267	10,262
Impairment	-	(723)	-	(723)
Adjustments	-	-	(546)	(546)
Balance at December 31, 2023	602	7,670	721	8,993
Additions	-	-	-	-
Balance at June 30, 2024	**602**	**7,670**	**721**	**8,993**
Carrying Amounts				
Balance at December 31, 2023	602	7,670	721	8,993
Balance at June 30, 2024	**602**	**7,670**	**721**	**8,993**

12. CAPITAL AND RESERVES

Share capital and share premium

All Common Shares rank equally with regards to the Company's residual assets. The following table is presented in thousands:

	Authorized		*Issued and Paid*	
	June 30, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Ordinary shares no-par value	*unlimited*	*unlimited*	194,496	183,605

During the period ended June 30, 2024, the Company issued 10.9 million shares due to exercise of stock options, exercise of warrants, and release of restricted stock units granted to agents and employees.

Total number of shares held by our trustee in the NCIB is 2.6 million and 0.175 million as of June 30, 2024 and December 31, 2023, respectively.

13. LIQUIDITY AND CAPITAL RESOURCES

Real defines capital as its equity. It is comprised of share premium, stock-based compensation reserves, deficit, other reserves, treasury stock, and non-controlling interests. 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 by 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 June 30, 2024, and December 31, 2023.

The following table presents the Company's liquidity (in thousands):

	For the Period Ended	
	June 30, 2024	**December 31, 2023**
Cash	23,316	14,707
Other Receivables	56	63
Investments in Financial Assets	10,276	14,222
Total	**33,648**	**28,992**

14. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Accounting classifications and fair value *(in thousands)*

	For the Period Ended June 30, 2024					
	Carrying Amount			**Fair Value**		
	Financial Assets at Amortized Cost	Other Financial Liabilities	Total	Level 1	Level 2	Total
Financial Assets Measured at Fair Value (FV)						
Investments in Financial Assets	-	-	-	10,276	-	10,276
Total Financial Assets Measured at Fair Value (FV)	**-**	**-**	**-**	**10,276**	**-**	**10,276**
Financial Liabilities Measured at Fair Value (FV)						
Warrants	-	-	-	-	356	356
Total Financial Liabilities Measured at Fair Value (FV)	**-**	**-**	**-**	**-**	**356**	**356**
Financial Assets Not Measured at Fair Value (FV)						
Cash and Cash Equivalents	23,316	-	23,316	-	-	-
Restricted Cash	33,124	-	33,124	-	-	-
Funds Held in Restricted Escrow Account	9,250	-	9,250	-	-	-
Trade Receivables	18,631	-	18,631	-	-	-
Other Receivables	56	-	56	-	-	-
Total Financial Assets Not Measured at Fair Value (FV)	**84,377**	**-**	**84,377**	**-**	**-**	**-**
Financial Liabilities Not Measured at Fair Value (FV)						
Accounts Payable	-	1,196	1,196	-	-	-
Accrued Liabilities	-	33,629	33,629	-	-	-
Customer Deposits	-	33,124	33,124	-	-	-
Other Payables	-	11,028	11,028	-	-	-
Total Financial Liabilities Not Measured at Fair Value (FV)	**-**	**78,977**	**78,977**	**-**	**-**	**-**

	For the Year Ended December 31, 2023					
	Carrying Amount			**Fair Value**		
	Financial Assets at Amortized Cost	Other Financial Liabilities	Total	Level 1	Level 2	Total
Financial Assets Measured at Fair Value (FV)						
Investments in Financial Assets	-	-	-	14,222	-	14,222
Total Financial Assets Measured at Fair Value (FV)	**-**	**-**	**-**	**14,222**	**-**	**14,222**
Financial Liabilities Measured at Fair Value (FV)						
Warrants	-	-	-	-	269	269
Total Financial Liabilities Measured at Fair Value (FV)	**-**	**-**	**-**	**-**	**269**	**269**
Financial Assets Not Measured at Fair Value (FV)						
Cash and Cash Equivalents	14,707	-	14,707	-	-	-
Restricted Cash	12,948	-	12,948	-	-	-
Trade Receivables	6,441	-	6,441	-	-	-
Other Receivables	63	-	63	-	-	-
Total Financial Assets Not Measured at Fair Value (FV)	**34,159**	**-**	**34,159**	**-**	**-**	**-**
Financial Liabilities Not Measured at Fair Value (FV)						
Accounts Payable	-	571	571	-	-	-
Accrued Liabilities	-	13,374	13,374	-	-	-
Customer Deposits	-	12,948	12,948	-	-	-
Other Payables	-	302	302	-	-	-
Total Financial Liabilities Not Measured at Fair Value (FV)	**-**	**27,195**	**27,195**	**-**	**-**	**-**

A. Transfers between levels

During the periods ended June 30, 2024, and December 31, 2023, there have been no transfers between Level 1, Level 2 and Level 3.

B. Valuation techniques and inputs for level 2 instruments

The warrants were initially recorded at fair value on date of grant using the Black-Scholes model and net of issuance costs, and are subsequently re-measured to fair value at each subsequent balance sheet date.

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 represents the maximum credit exposure.

<u>Trade receivables</u>

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 receivables for which no loss allowance is recognized because of collateral.

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 Cash Generating Units 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.

As of June 30, 2024, the exposure to credit risk for trade receivables (in thousands) by geographic region was as follows:

	June 30, 2024	December 31, 2023
US	11,455	4,607
Other Regions	7,176	1,834
Trade Receivables	**18,631**	**6,441**

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or 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 dollars.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the U.S. dollar (USD), Israeli shekel (ILS), or Canadian Dollar (CAD) against all other currencies in which the Company operates as of June 30, 2024 and December 31, 2023 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The following table is presented in thousands:

	Average Rate		*Period-end Spot Rate*	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
Balance at, June 30, 2024				
CAD (-5% movement)	210	(210)	285	(285)
ILS (-5% movement)	(9)	9	(34)	34
Balance at, December 31, 2023				
CAD (-5% movement)	485	(485)	655	(655)
ILS (-5% movement)	33	(33)	121	(121)

Foreign Currency Risk Management

The Company 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 Company's foreign currency denominated monetary assets and monetary liabilities (in thousands) at the reporting date are as follows:

	Liabilities		*Assets*	
	June 30, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
CAD	(34,397)	(13,463)	24,200	4,949
ILS	(44)	(178)	7,452	7,494
Total Exposure	**(34,441)**	**(13,641)**	**31,652**	**12,443**

v. *Investment risk*

The Company invested 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 8*.

15. COMMITMENTS AND CONTINGENCIES

In December 2023, the Company was named as a defendant in a putative class action lawsuit, captioned *Umpa v. The National Association of Realtors, et al.*, which was filed in the United States District Court for the Western District of Missouri (the "**Class Action**"). The Class Action alleges that certain real estate brokerages, including the Company, participated in practices that resulted in inflated buyer broker commissions, in violation of federal antitrust laws. On April 7, 2024, the Company entered into a settlement agreement to resolve the Class Action on a nationwide basis. This settlement conclusively addresses all claims asserted against the Company in the Class Action, releasing the Company, its subsidiaries, and affiliated agents from these claims. The settlement does not constitute an admission of liability by the Company, nor does it concede or validate any of the claims asserted in the litigation. Pursuant to the terms of the settlement agreement, the Company paid $9.25 million into a qualified settlement fund following the court's preliminary approval of the settlement agreement. This settlement amount is presented as a current asset in funds held in restricted escrow account, and as a current liability in other payables, on the Company's Consolidated Statements of Financial Position for the period ended June 30, 2024.

Additionally, the Company agreed to implement specific changes to its business practices. These changes include clarifications about the negotiability of commissions, prohibitions on claims that buyer agent services are free, and the inclusion of listing broker compensation offers in communications with clients. The Company will also develop training materials to support these practice changes. The settlement agreement awaits final court approval and will take effect upon such final approval. The Company does not foresee the settlement terms having a material impact on its future operations.

On June 14, 2024, the Company was named as a defendant in a putative class action lawsuit, captioned *Kyle Miholich v. The Real Brokerage Inc., et al.*, which was filed in the United States District Court for the Southern District of California ("Class Action"). The Class Action alleges that real estate agents affiliated with the Company through an Independent Contractor Agreement sent text messages that violated the federal Telephone Consumers Privacy Act. The Company's policies requires the independent contractor real estate agents to comply with the Telephone

Consumers Privacy Act. The plaintiffs are seeking certification of the Class Action, injunctive relief prohibiting future violations of the Telephone Consumers Privacy Act, monetary damages for each alleged statutory violation and reimbursement of their litigation costs and attorneys' fees. The Company will vigorously defend against the claims asserted in the Class Action, and the Company is unable to predict the outcome of the Class Action or whether an outcome unfavorable to the Company would have a material adverse effect on its results of operations or financial condition.

16. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Company's key management personnel are comprised of its Chief Executive Officer, Chief Financial Officer, President, Chief Technology Officer, and Chief Marketing Officer, and other members of the executive team. Executive officers participate in the A&R Plan (see *Note 7.A*). Directors and officers of the Company control approximately 35.29% of the voting shares of the Company. The remuneration of key management personnel and directors of the Company who are part of related parties is set out below (in thousands):

	For the Period Ended	
	June 30, 2024	**June 30, 2023**
Salaries and Benefits	1,535	1,046
Stock-Based Compensation	3,062	1,731
Compensation Expenses for Related Parties	**4,597**	**2,777**