RenoWorks Software Inc. Management's Financial Discussion and Analysis (April 14, 2025)

This management discussion and analysis of RenoWorks Software Inc.'s (referred to in this discussion as "RenoWorks" or the "Company") financial condition and results of operations focuses on key statistics from its financial statements for the year ended December 31, 2024 and pertains to known risks and uncertainties relating to its business. The following discussion and analysis should be read in conjunction with the year ended December 31, 2024 financial statements and accompanying notes thereto. Additional information about the Company can be obtained at www.sedarplus.ca.

Special Note Regarding Forward-Looking Information and Statements

This MD&A offers our assessment of RenoWorks' future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation including our sensitivity to technological obsolescence referred to under Research and Development on page 3, our sensitivity to the change in the value of the Canadian dollar versus the US dollar referred to under Foreign Exchange on page 4, capital expenditure projections included in investing activities on page 7, our sensitivity to changes in building products industry market conditions referred to under Cyclicality in the Construction and Renovation Industries on page 11, and our dependence upon adoption of technology in the building products industry referred to under Dependence on the Adoption of Computers in the Construction Industry on page 12. These forward-looking statements typically contain the words "anticipate," "believe," "estimate," "intend," "expect," "may," "will," "should," "potential", "plan" or other similar terms.

Readers are cautioned that our expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, we have made the following key assumptions:

- our sensitivity to the change in the value of the Canadian dollar versus the US dollar was based on our forecast of sales in US dollars as well as the exchange rate for the Canadian dollar similar to the current market rate;
- our reliance on positive market conditions in both the remodelling and new home construction industries in both the US and Canada was based on our current strategic plan;
- our reliance on positive adoption of technology was based on our current strategic plan.

Certain statements, other than statements of historical fact, are forward-looking information that involves various risks and uncertainties. Such statements relating to, among other things, the prospects for the Company to enhance operating results, the ability of the Company to find customers for its 3D model and measurement solutions, the ability of the Company to find suppliers of aerial measurement data and its ability to successfully integrate such data into the Company's technology platform, are necessarily subject to risks and uncertainties, which are significant in scope and nature.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur or, if any of these events do occur, what benefits or costs we will derive from these events. By their nature, forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the impact of general economic conditions, changing domestic industry conditions, currency fluctuations, interest rates, competition from other industry participants (including new entrants), stock-market volatility, the ability to access sufficient capital from internal and external sources and additional risk factors discussed in other documents we file from time to time with securities regulatory authorities, which are available through the Internet on SEDAR at www.sedarplus.ca or, upon request, without charge from us.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Our assumptions relating to the forward-looking statements referred to above are updated quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

Throughout this document, reference is made to "working capital" and "Adjusted EBITDA", which are non-IFRS measures. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Company's liquidity and its ability to meet its current obligations. Management believes that Adjusted EBITDA, which normalizes earnings to exclude certain amounts, is a useful measure for comparing results from one period to another. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards ("**IFRS**").

Company Overview

Renoworks has developed and distributes digital visualization software for the renovation and new home construction industry. Its sales and marketing efforts are presently focused on the United States and Canada.

Selected Annual Information

	2024	2023	2022
Revenue	$6,942,578	$6,292,601	$5,941,830
Net Income (Loss)	$133,058	($497,771)	($1,320,786)
Net Income (Loss) per share	$0.00	($0.01)	($0.03)
Total Assets	$2,641,419	$1,672,766	$1,788,806

For the year ending December 31, 2024, the revenue increased from the previous years ending in 2023 and 2022. This is mainly a result of a 23% increase in licensing and hosting revenue as compared to 2023. The net income in 2024 as compared to the net loss in 2023 is primarily attributable to increased revenues including a 23% increase in software licensing revenue as well as an increased foreign exchange gain. The Company maintains its commitment to invest in growth areas including Renoworks PRO, AI Gen2.0, Data Science and Analytics, and general platform functionality to facilitate our vision. Development investment in 2024 included software infrastructure to better manage the manufacturer product libraries and facilitate opportunities to further monetize this asset. Total assets increased in 2024 primarily due to increased cash and cash equivalents as well as Contract assets.

Results of Operations for the Year ended December 31, 2024

	2024	2023
Revenue	$6,942,578	$6,292,601
Net Income (Loss)	$133,058	($497,771)

Revenue

For the year ended December 31, 2024 the Company earned aggregate revenues of $6,942,578 comprised of $2,962,942 from design services, $2,764,398 from licensing and hosting, $709,257 for libraries, and $505,981 from implementation fees. This is a 10% increase from the $6,292,601 revenues earned in the year ended December 31, 2023 comprised of $2,761,558 from design services, $2,251,019 from licensing and hosting, $760,781 from libraries and $519,243 from implementation fees. The increased revenue is primarily attributable to an increase in licensing and hosting revenue of 23% in 2024 compared to 2023. Design services revenue increased by 7% in 2024 compared to 2023. For the twelve months ended December 31, 2024, 34%, (2023 - 34%) of the revenue was from one customer.

Net Income/Loss

The Company's net income for the year ended Dec 31, 2024, was $133,058, an increase of $630,829 compared to net loss of $497,771 for the year ended December 31, 2023. The net income as compared to a net loss in the previous fiscal year is primarily attributable to increased revenue and increased foreign exchange gains. Licensing and hosting revenue in the fiscal year increased 23% compared to the previous fiscal year while design services revenue increased by 7%. Software and licensing revenue has a higher gross margin than design services revenue resulting in a slight increase in gross margins in 2024 as compared to 2023. The Company has invested in activities to capitalize on opportunities to market its Contractor offerings, AI solutions, and data science and analytics to the North American remodel industry.

Adjusted EBITDA
This non-GAAP measure does not have a standardized meaning which may limit comparability. The Company calculates adjusted EBITDA as follows:

	2024	**2023**
Net Income (Loss)	$133,058	($497,771)
Add:		
Depreciation	$21,857	$27,073
Net finance income (expense)	$9,523	$3,656
Stock-based compensation	$57,772	$69,264
Adjusted EBITDA	$222,210	($397,778)

The Company's Adjusted EBITDA for the year ended December 31, 2024 was a positive $222,210, an improvement of $619,988 compared to a negative Adjusted EBITDA of $397,778 for the year ended in 2023, primarily attributable to increased revenue and foreign exchanges gains.

Expenditures

Cost of sales and gross margin

	2024	**2023**
Salaries	$1,124,771	$1,169,682
External third-party costs	$697,557	$692,451
Total cost of sales	$1,822,328	$1,862,133

Cost of sales for the year ended December 31, 2024 totaled $1,822,328 yielding a gross margin of 74% on revenues compared to a total of $1,862,133 yielding a gross margin of 70% in the year ended December 31, 2023. The increase in gross margin percentage can be primarily attributed to a larger increase in software licensing revenue of 23% compared to a 7% increase in design services revenue. Software licensing revenue has a higher gross margin compared to design services revenue resulting in a higher gross margin overall. Cost of sales includes costs of photography of exterior building products, commissions, credit card processing fees, contractor fees, production costs of retail software, and an allocation of certain internal employees' direct time incurred on provision of implementation services.

Research and development
Research and development costs of $1,742,658 for the year ended December 31, 2024, increased $301,987 compared to $1,440,671 incurred in the year ended December 31, 2023. Actual research and development costs for 2023 were $1,632,458 which were reduced by $191,787 which reflects the receipt of investment tax credits due to expenditures in scientific research and experimental development ("SR&ED"). Comparing actual costs incurred before SR&ED and grants received, the increase in research and development investment in 2024 is attributable to investing in AI, Renoworks PRO, and Data Science and Analytics. The Company remains focused on building a contractor software platform that can facilitate software and content as a service to the North American remodel industry. We continue to invest in areas including contractor offerings, AI solutions, data science and analytics, manufacturer product library database, and general platform functionality to facilitate our vision. The Company maintains its commitment to invest into its software development activities. The Company's management believes that significant expenditures will be required long-term on an ongoing basis in order to minimize technological obsolescence risk and to accelerate customer acceptance and adoption of the digital visualization products. It is management's belief that as revenues are earned from existing commercially-available products, that such revenues will be a significant source of funding for incremental product research and development expenditures.

Selling, general and administration

	2024	2023
Salaries and wages	$1,630,287	$1,504,222
Government grants	(8,438)	(97,447)
Hosting and software	770,846	709,106
Sales and marketing	594,519	614,390
Professional fees	314,732	466,613
Other general and administrative	95,758	85,535
Share-based compensation	57,772	69,264
Office and rent	32,412	38,105
Depreciation	21,857	27,073
Bad debt expense	15,002	3,231
Training and development	11,638	8,650
Total general and administration	$3,536,385	$3,428,742

Selling, general and administration costs of $3,536,385 for the year ended December 31, 2024 increased $107,643 compared to $3,428,742 incurred in the year ended December 31, 2023. The increase is primarily attributable to decreased government grants, increased salaries and wages, increased hosting and software costs partially offset by decreased professional fees. During the year ended December 31, 2024, the Company received $8,438 (2023 - $97,447) of funding from the Alberta Innovates Technology grant which was recorded as a reduction to general and administration costs. In 2023 the Company also received $4,634 of funding from the Industry Commercialization Associates program funded by Alberta Technology Innovates, which was recorded as a reduction to general and administrative costs.

Foreign exchange

The Company experienced foreign exchange gains of $282,328 in the year ended December 31, 2024 compared to exchange losses of $62,482 for the comparable period in 2023 as a result of the exchange movement between the Canadian and United States dollars. Expenses for the year ended December 31, 2024 and 2023 include both United States and Canadian dollar-denominated expenditures. To the extent that the Canadian dollar strengthens against the United States dollar, expenses incurred in United States dollars will be recorded at a lower Canadian dollar equivalent on translation. The majority of the 2024 and 2023 revenues were received in United States dollars. As the Canadian dollar strengthens against the United States dollar, sales made in United States dollars are recorded at a lower Canadian dollar amount upon translation. It is anticipated that a substantial amount of the Company's future revenues will continue to be denominated in United States dollars. Movements in exchange rates may have a significant impact on financial results. The Company bills its United States customers in United States dollars, collects in United States dollars, holds deposits in United States dollars and converts cash into Canadian dollars as it deems appropriate. Timing differences on recording and collection of United States dollars versus conversion to Canadian dollars can result in exchange gains or losses on all monetary items including accounts receivable. To the extent the Company maintains United States dollar cash and other working capital balances, it is exposed to foreign exchange risk.

The Company has direct exposure to foreign currency exchange rate risk as many of the Company's customers are invoiced in US currency. As at December 31, 2024, if the Canadian dollar strengthened by 1% with all other variables held constant, it would result in an increase in net loss by $14,424 (December 31, 2023 - $7,885). An equal and opposite impact would have occurred to net loss had foreign exchange rates weakened by 1%.

Results of Operations for the Quarter ended December 31, 2024

	Q4 2024	Q4 2023
Revenue	$1,732,703	$1,503,032
Net Income (Loss)	$135,931	($211,734)

Revenue
For the three months ended December 31, 2024 the Company earned aggregate revenues of $1,732,703 compared to $1,503,032 revenues earned in the three-months ended December 31, 2023. The 15% increase in revenue is primarily attributable to increased licensing and hosting revenues.

Net Income/Loss
The Company's net income for the three months ended December 31, 2024 was $135,931, a differential of $347,665 compared to net loss of $211,734 for the three months ended December 31, 2023. The increase in profitability is primarily attributable to increased fourth quarter revenues and gross margin improvements resulting from increased licensing and hosting revenue which has a higher gross margin than design services revenues; combined with decreased personnel costs.

Adjusted EBITDA
This non-GAAP measure does not have a standardized meaning which may limit comparability. The Company calculates adjusted EBITDA as follows:

	Q4 2024	**Q4 2023**
Net Income (Loss)	$135,931	($211,734)
Add:		
Depreciation	$5,612	$6,509
Net finance income	$ 5,857	$ -
Stock-based compensation	$18,225	$16,014
Adjusted EBITDA	$165,625	($189,211)

The Company's Adjusted EBITDA for the three-months ended December 31, 2024 was a positive $165,625, an improvement of $354,836 compared to a negative adjusted EBITDA of $189,211 for the fourth quarter of 2023. This improvement is primarily attributable to the return to profitability in the fourth quarter of 2024.

Expenditures

Cost of sales and gross margin

	Q4 2024	**Q4 2023**
Salaries	$451,668	$472,743
External third-party costs	$4,549	$36,727
Total cost of sales	$456,217	$509,470

Cost of sales for the three-months ended December 31, 2024 totaled $456,517 yielding a gross margin of 74% on revenues compared to a total of $509,470 yielding a gross margin of 66% in the three-months ended December 31, 2023. The fourth quarter 2024 improved margin is due to the increased licensing revenue, which has the highest margin of all revenue sources. Cost of sales includes costs of photography of exterior building products, commissions, credit card processing fees, contractor fees, production costs of retail software, and an allocation of certain internal employees' direct time incurred on provision of implementation services.

Research and development
Research and development costs of $448,211 for the three-months ended December 31, 2024 increased $93,517 compared to $354,694 incurred in the three-months ended December 31, 2023. Actual research and development costs for the three-months ended December 31, 2023 were $439,157, reduced by $84,463 reflecting the receipt of investment tax credits due to expenditures in scientific research and experimental development ("SR&ED"). The increase in research and development investment in the fourth quarter is attributable to increased personnel costs. We continue to see opportunities to make significant impacts in facilitating changes in how the industry operates and as such are investing in areas including contractor offering, AI, data science and analytics, manufacturer product library database, and general platform functionality to facilitate our vision. The Company maintains its commitment to invest in software development activities for the foreseeable future. The Company's management believes that significant expenditures will be required in order to minimize technological obsolescence risk and to accelerate customer acceptance and adoption of the digital visualization products. It is management's belief that as revenues are earned

from existing commercially-available products, that such revenues will be a significant source of funding for incremental product research and development expenditures.

Selling, general and administration

	Q4 2024	Q4 2023
Salaries and wages	$347,942	$316,946
Government grants	-	($25,313)
Hosting and software	$212,750	$172,697
Sales and marketing	$153,295	$152,152
Professional fees	$84,629	$122,356
Other general and administrative	$32,853	$35,098
Share-based compensation	$18,225	$16,014
Office and rent	$6,475	$9,132
Depreciation	$5,612	$6,509
Bad debt expense	$4,449	$3,231
Training and development	$3,085	$2,629
Total general and administration	$869,315	$811,451

Selling, general and administration costs of $869,315 for the three-months ended December 31, 2024 increased $57,864 compared to $811,451 incurred in the three-months ended December 31, 2023, attributable to increased costs for personnel, and hosting and software costs partially offset by decreased professional fees. During the three months ended December 31, 2023 the Company received $25,313 of funding from the Alberta Innovates Technology grant which was recorded as a reduction to general and administration costs.

Foreign exchange

The Company experienced foreign exchange gains of $181,424 in the three-months ended December 31, 2024 compared to an exchange loss of $40,524 for the three-months ended December 31, 2023 as a result of the exchange movement between the Canadian and United States dollars. Expenses for the three-months ended December 31, 2024 and 2023 include both United States and Canadian dollar-denominated expenditures. To the extent that the Canadian dollar strengthens against the United States dollar, expenses incurred in United States dollars will be recorded at a lower Canadian dollar equivalent on translation. The majority of the 2024 and 2023 revenues were received in United States dollars. As the Canadian dollar strengthens against the United States dollar, sales made in United States dollars are recorded at a lower Canadian dollar amount upon translation. It is anticipated that a substantial amount of the Company's future revenues will continue to be denominated in United States dollars. Movements in exchange rates may have a significant impact on financial results. The Company bills its United States customers in United States dollars, collects in United States dollars, holds deposits in United States dollars and converts cash into Canadian dollars as it deems appropriate. Timing differences on recording and collection of United States dollars versus conversion to Canadian dollars can result in exchange gains or losses on all monetary items including accounts receivable. To the extent the Company maintains United States dollar cash and other working capital balances, it is exposed to foreign exchange risk.

Liquidity and Capital Resources

	December 31, 2024	December 31, 2023
Total Assets	$2,641,419	$1,672,766
Total Long-Term Liabilities	$240,467	$140,968

Total Assets

Total Assets were $2,641,419 as at December 31, 2024, an increase of $968,653 compared to $1,672,766 as at December 31, 2023. The increase is primarily due to increase in cash and cash equivalents.

Total Long-Term Liabilities
The Company's long-term liabilities increased to $240,467 as at December 31, 2024 compared to $140,968 at December 31, 2023. The increase is attributable to an increase in deferred revenue.

Cash and Working Capital
The Company's cash at December 31, 2024 was $1,536,671 compared to cash of $645,549 at December 31, 2023, an increase of $891,122.

The Company's working capital at December 31, 2024 was a negative $166,451 compared to a negative working capital of $228,357 at December 31, 2023 a decrease of $61,906 primarily due to an increase in deferred revenue balances. Current assets increased by $740,230 due primarily to increased cash and cash equivalents. Current liabilities increased by $678,324 primarily due to an increase in deferred revenue balances.

	Dec 31, 2024	**Dec 31, 2023**
Total Current Assets	$ 2,238,863	$ 1,498,633
Total Current Liabilities	$ 2,405,314	$ 1,726,990
Working Capital	($ 166,451)	($ 228,357)

Excluding deferred revenue, a significant non-cash item included in working capital, the Company's working capital at December 31, 2024 is positive $2,112,879 (Dec 31, 2023 - $1,264,069).

Cash Flow From Operations

During the year ended December 31, 2024 the Company realized a cash inflow from operations of $893,823, an improvement of $946,665 from the $52,832 cash outflow from operations in the year ended December 31, 2023. The improved cash outflow used for operations is primarily attributable to increased net profit and an increase in deferred revenue balance which represents year-over-year increase in cash received in advance of project delivery.

Financing Activities

During the year ended December 31, 2024 the Company had no cash from financing activities compare to the cash inflow from financing activities of $600 for the year ended December 31, 2023.

The Company received proceeds of $600 from the exercise of share options by employees during the year ended December 31, 2023.

Investing Activities

During the year ended December 31, 2024 the Company purchased capital assets of $11,701, an increase of $4,652 compared to purchases of $7,049 during the same period ending December 31, 2023. The Company estimates it will have capital expenditures of approximately $25,000 during 2025, with any requirement for expenditures dependent upon customer requirements and revenue generation as well as personnel staffing and software development needs. Without additional financing or increased revenues, the Company may defer or limit its purchase of capital assets.

In 2024 the Company received $9,000 associated with loan repayments compared to $750 in 2023.

Outstanding Shares

At December 31, 2024, there were 40,664,635 common shares outstanding. In addition, 3,044,500 stock options and 805,000 warrants were outstanding at December 31, 2024. Each whole warrant entitles the holder to purchase one common share at $0.60 per share, and expire if unexercised by October 20, 2025.

Related-Party Transactions

The Company has an unsecured non-interest-bearing loan agreement totaling $75,000 with a director and officer of the Company. The initial terms of the loan were 24 equal payments of $3,125 beginning on October 12, 2022.

In 2023 the loan agreement was amended. The loan was re-measured at fair value using an effective interest rate of 8.5% per annum. The principal balance of the loan is $65,250 (2023 – 74,250). A total of $17,241 (2023 - $21,740) is included in prepaid expenses representing the employee benefit portion of the loan amount. The new terms of the amended unsecured loan agreement are 105 equal monthly payments of $750 beginning on December 1, 2023.

Income tax expense

As at December 31, 2024, no recognition for the benefit of unutilized tax losses or unutilized research and development expenses carry forward for tax purposes has been recognized in the financial statements.

Contingent liability

The Company, whose customers are primarily across the United States, is currently reviewing its various sales channels as they relate to the wide-ranging implementation of US State sales tax. The Company has not recognized a provision in the financial statements for a state sales tax liability as the likelihood is uncertain and the magnitude not reliably determinable. An estimate of the potential liability ranges from nil to $450,000. The Company will continue to monitor the situation and update its assessment as more information becomes available

Subsequent event

During the month of April, 2025 employees and officers exercised 36,666 options for proceeds of $5,500.

Summary of Quarterly Results

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	$1,732,703	$1,894,911	$1,835,791	$1,479,390	$1,503,032	$1,716,307	$1,719,087	$1,354,175
Net income (loss)	$135,688	$110,364	$13,059	($125,753)	($211,734)	$68,174	$30,442	($384,653)
Income (loss) per share (Basic and diluted)	$0.00	$0.00	$0.00	($0.00)	($0.01)	$0.01	$0.00	($0.01)

The table above is a summary of the last 8 quarters of results up to December 31, 2024.

The product mix of the Company is diverse and different revenue recognition criteria exist for each product. Recurring revenues, including hosting and licensing, are relatively consistent in nature and consistent quarter to quarter. However, the timing of revenue recognition due to implementation services has an impact on the variability of revenues each quarter. The product has to be completed, delivered to and accepted by the client prior to recognition of the revenues. If an anticipated delivery is delayed, this may have a material impact on the revenues recorded for the quarter.

Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies 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 accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates that have the most significant effect on the amounts recognized in the financial statements is included in the December 31, 2024 financial statements Note 4: Determination of fair values.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the December 31, 2024 Financial Statements Note 4: Determination of fair values.

Future changes to accounting standards:

Recent accounting pronouncements.

IAS 1 Presentation of Financial Statements, Classification of Liabilities as Current or Non-current Liabilities with Covenants:

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability with covenants as current or non-current and related disclosures. There were no impacts to the Company's statements.

IFRS 18 Presentation and Disclosure in Financial Statements, new structure and disclosure requirements:

In April 2024, the International Accounting Standards Board issued IFRS 18, Presentation and Disclosure in Financial Statements, which establishes the overall requirements for financial statement presentation and disclosure. The standard introduces structured subtotals in the statement of profit or loss, including a standardized 'operating profit' measure to enhance comparability. IFRS 18 replaces IAS 1, Presentation of Financial Statements, though much of IAS 1's substance remains. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The company is currently assessing its impact and does not expect a material effect on the financial statements..

Financial Instruments

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Company classifies financial assets and liabilities as follows:

Amortized cost: Cash and cash equivalents, trade and other receivables, loans receivable, and trade and other payables are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

Fair value through profit or loss: The Company has no financial instruments held to both collect contractual cash flows and to sell the asset, and accordingly, no financial instruments are measured at fair value through profit or loss.

Fair value through other comprehensive income: The Company has no financial instruments that do not meet the criteria to be measured at amortized cost or fair value through profit or loss and, accordingly, no financial instruments are measured at fair value through other comprehensive income.

The Company derecognizes a financial asset when the contractual right to the cash flow expires, or the right to receive the contractual cash flows from the financial asset and substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when the contractual obligations are discharged, cancelled, or expired.

Risks and Uncertainties

The Company is subject to each of, and the cumulative effect of all, the risk factors outlined below.

Not Receiving An Adequate Or Any Return On Invested Capital
The exact effect of these risk factors cannot be accurately predicted, but they may result in the Company not receiving an adequate or any return on invested capital.

Recoup The Investment Or Pay Dividends
There is no assurance that the Company will produce sufficient revenues to allow the Company to recoup the investment or pay dividends to the investors. The Company has never paid any dividends on its securities and does not anticipate the payment of dividends in the foreseeable future. Any decisions regarding the payment of dividends will depend on the Company's earnings, financial position and such other factors, as the Board of Directors of the Company deems relevant.

RenoWorks Is Not Fully Insured
RenoWorks' operations are subject to the risks normally incident to the high technology, Internet and computer industries. In accordance with customary industry practice, RenoWorks is not, and it is not anticipated that the Company will be, fully insured against all of these risks, nor are all such risks fully insurable.

Marketability And Price
The marketability and price of the Company's products and services will be affected by numerous factors beyond the control of the Company.

Competition
RenoWorks is subject to competition from companies with different products, greater financial resources, and larger marketing capabilities. There can be no assurance that the Company will be able to continue to compete successfully with existing competitors or will be able to compete successfully with new competition. The digital visualization software imaging industry is currently in its infancy and there are very few independent participants. The industry is characterized by rapid technological change. Many of the companies, both domestic and foreign, with which the Company competes are well established, substantially larger and have substantially greater resources than will be available to the Company. Although management of RenoWorks believes that it will compete successfully, there can be no assurance that the Company will be able to maintain a high level of name recognition and prestige within the marketplace. Moreover, the Company's success will depend on maintaining strong promotion, increasing visibility within the construction and renovation industry and on the Internet, and providing informative content. Management of RenoWorks believes that sales and marketing are key to the Company's success. The lack of availability of talented, creative sales and marketing personnel or the Company's inability to attract and retain such key employees could adversely affect the business of the Company.

Fluctuations In Monetary Exchange
Fluctuations in the United States and Canadian monetary exchange rates could negatively affect the Company's profits.

No Assurances That The Company Will Become Profitable or Maintain Profitability
RenoWorks has been primarily engaged in research and development activities for market penetration in the past and has historically incurred losses. There can be no assurances that the Company will achieve profitability.

Uncertain Cash Flow to Meet Obligations
Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations due after December 31, 2023 as obligations fall due subsequent to December 31, 2023 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability.

Industry Subject To Technological Advancement And Obsolescence
RenoWorks is operating within an industry subject to a very rapid pace of technological advancement and obsolescence. The ability of the Company to establish and maintain a position at the leading edge of technological innovation in the industry cannot be assured. Failure to do so may compromise the attainment of the Company's commercial objectives.

Limited Professional Liability Insurance
RenoWorks has limited commercial general liability insurance. There is no assurance that such insurance will be sufficient to protect itself against claims connected with the provision of its services or that the Company will continue to carry this insurance.

Reliance Upon Third-Party Agents
To the extent that the Company also relies upon third-party agents to sell its services on the Company's behalf, the Company will be subject to risks associated with the performance of these third parties, in addition to their security arrangement, insurance, reputations, and professionalism in the provision of services.

Dependence Upon, and Need for, Key Personnel
RenoWorks is, and will be, dependent upon the performance and a limited number of key personnel. The loss of a key individual or a reduction in the time devoted by such person to the Company's business could have a material adverse effect on the Company's business. The Company's future success will depend in part upon its ability to attract and retain highly qualified personnel. The Company faces competition for such personnel from other companies, academic institutions and other organizations, many of which have significantly greater resources that the Company. There can be no assurance that the Company will be able to attract and retain the necessary personnel on acceptable terms or at all.

Management of Expanding Operations
The Company's ability to manage any future expansion effectively will require it to attract, train, motivate, and manage new employees successfully, to integrate new management and employees into its overall operations and to continue to improve its operational, financial and management systems. The Company's failure to manage any expansion effectively, including any failure to integrate management and employees or failure to implement and improve financial, operational and management controls, systems and procedures could have a material adverse effect on the Company's business, operating results and financial condition. For the Company to expand its business operations, it must continue to improve and expand the expertise of its personnel and must attract, train, and manage qualified managers and employees to oversee and manage its contemplated expanded operations. As the Company realizes revenue growth, it is the intention of the Company to significantly expand its existing business operations. Current management of RenoWorks anticipates that significant expansion of its operations will continue to be required in order to address potential market opportunities. Such expansion will subject the Company to a variety of risks associated with rapidly growing companies. In particular, the Company's growth may place a significant strain on its accounting systems, internal controls, and oversight of its day-to-day operations. To manage its growth, the Company must implement, improve, and effectively utilize its operational, management, marketing and financial systems and train and manage its future employees. These individuals will not have previously worked together and would be required to integrate as a management team. There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that RenoWorks' current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth could have a material adverse effect on the Company's business, results of operations, and financial condition. Although management of RenoWorks intends to ensure that its internal controls remain adequate to meet the demands of further growth, there can be no assurance that its systems, controls, or personnel will be sufficient to meet these demands. Inadequacies in these areas could have a material adverse effect on the Company's business, financial condition, and results of operations.

Fluctuations in Operating Results
The Company may experience significant fluctuations in operating results. These fluctuations may be caused by several factors, many of which are beyond the control of the Company. These include: the cost of acquiring and the availability of content; the overall level of demand for content and product implementation services; seasonal trends and advertising placements; the amount of increased expenditures for expansion of operations, including the hiring of new employees, capital expenditures and related costs; the Company's ability to continue to enhance, maintain and support its technology; the introduction of new or enhanced services by the Company; price competition or pricing changes in products and services such as the Company's technical difficulties, system downtime, system failures; political or economic events and governmental actions affecting operations; and general economic conditions and economic conditions specific to the industry. If one or more of these factors or other factors occur, the Company's business could suffer. In addition, the market for services such as those which RenoWorks provides is volatile making it very difficult to predict future financial results.

Cyclicality in the Construction and Renovation Industries
The residential construction and renovation industries are cyclical. The industry tends to be sensitive to economic conditions. When economic conditions are prosperous, construction and renovation industry revenues increase; conversely, when economic conditions are unfavorable, construction and renovation industry revenues decline. The Com-

pany will continuously monitor trends in its clients' tastes and preferences so that, if necessary, it can change operations and services to accommodate the changes in such trends. Any significant decline in general corporate conditions or the economy that affect consumer spending could have a material adverse effect on the Company's business.

Subscription licensing revenues of RenoWorks are anticipated to be cyclical and dependent upon general economic conditions. However, management of RenoWorks believes that RenoWorks' pricing strategies, distribution, production cost structure, marketing strategy, and management's experience mitigate, to some degree, the effects of an economic downturn to the extent such downturn is regional.

Dependence on the Adoption of Computers in the Construction Industry

The Company's future success is substantially dependent upon continued growth in the adoption of computers in the construction industry and, as it relates to the Company, in the acceptance of digital visualization software usage. There can be no assurance that the number of computers used in the construction industry will continue to grow or that adoption of digital visualization software will occur. The construction industry may not prove to be a viable commercial marketplace for a number of reasons, including lack of computer use and ease of software use.

Risk Of Technological Change

The market for computer and software usage is characterized by rapid technological developments, frequent new product introductions, increased development of artificial intelligence techniques, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require the Company to effectively use leading technologies, continue to develop its technological expertise, enhance its current services including artificial intelligence, and continue to improve the performance, features and reliability of its visualization software and Internet destination (www.renoworks.com). Changes in network infrastructure, transmission and content delivery methods and underlying software platforms and the emergence of new artificial intelligence and broadband technologies, could dramatically change the structure and competitive dynamic of the market. In particular, technological developments or strategic partnerships that accelerate the adoption of broadband access technologies may require the Company to expend resources to address these developments. There can be no assurance that the Company will be successful in responding quickly, cost-effectively, and sufficiently to these or other such developments. A failure by the Company to rapidly respond to technological developments could have a material adverse effect on the Company's business, results of operations and financial condition.

Intellectual Property Risks

RenoWorks regards its copyright, trademarks, and similar intellectual property as critical to its success. In that context, the Company relies on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and contractual provisions. There is no guarantee that these efforts will be adequate; that the Company will be able to secure trademark registrations for all of its trademarks in the United States or other countries; or that third parties will not infringe upon or misappropriate the Company's copyrights, trademarks, service marks and similar proprietary rights. In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate destination of the Company's website. Since trademark and copyright protections are not "self-enforcing", future litigation may be necessary to enforce and protect the Company's trademarks, copyrights and other intellectual property rights.

The Company may also be subject to litigation to defend against claims of infringement of the rights of others or to determine the scope and validity of the intellectual property rights of others. If competitors of the Company prepare and file applications in the United States or Canada that claim trademarks used or registered by the Company are infringing on their rights, the Company may oppose those applications and be required to participate in the proceedings before the United States Patent and Trademark Office or Canadian Intellectual Property Office to determine the priority and scope of rights to the trademark, which could result in substantial costs to the Company. An adverse outcome could require the Company to license disputed rights from third parties or to cease using such trademark. Any litigation regarding the Company's proprietary rights could be costly and divert management's attention, result in the loss of certain of the Company's proprietary rights, require the Company to seek licenses from third parties and prevent the Company from selling its services, any one of which could have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company pursues the registration of trademarks based upon anticipated use internationally. There can be no assurance that the Company will be able to secure adequate protection for these trademarks in foreign countries. Many countries have a "first-to-file" trademark registration system and thus the Company may be prevented from registering its marks in certain countries if third parties have previously filed applications to register or have registered the same or similar marks. It is possible that competitors of the Company or others will adopt service names similar to the Company's, thereby impeding the Company's ability to build brand identity and possibly leading to customer confusion. In addition, there could be potential trademark or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the Company’s trademarks. The inability of the Company to protect its marks adequately could have a material adverse effect on the Company's business, results of operations and financial condition.

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