

Financial Statements of

RENOWORKS SOFTWARE INC.

For the years ended December 31, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RenoWorks Software Inc.

Opinion

We have audited the financial statements of RenoWorks Software Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit (loss) and comprehensive profit (loss), changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial statements, which indicates that the Company incurred a loss from operating activities of \$158,793 (2023 - \$438,945) during the year ended December 31, 2024. The company has a history of operating losses and has a deficit of \$10,099,729 at December 31, 2024 (2023 - \$10,232,787). As stated in Note 2(e), these events or conditions, along with other matters as set forth in Note 2(e), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

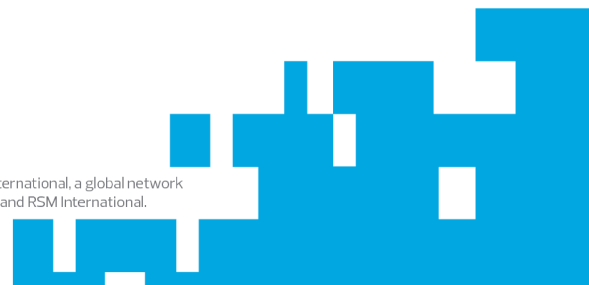
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Revenue recognition

Refer to financial statements Note 3 (h) – Significant accounting policies; and Note 5 - Revenue

The Company recognized revenue of \$6,942,578 for the year ended December 31, 2024, which is made up of multiple revenue streams. The Company enters into a high volume of contracts with clients that include multiple separate performance obligations, with varying revenue recognition patterns that span over multiple fiscal periods. Further, clients may request changes to products or services, which may result in new performance obligations or changes to revenue recognition patterns. If a contract has more than one performance obligation, the Company allocates the total transaction price to each separate performance obligation using the stand-alone selling price determined by the Company's estimated costs. The amount allocated determines the amount of revenue recognized for each separate performance obligation.



We identified revenue recognition, including recognition and deferral over multiple fiscal periods and allocation of the transaction price as a key audit matter. The evaluation of varying recognition patterns over multiple fiscal periods, the use of manual computations, and the assessment of management's significant assumptions to determine and allocate the relative stand-alone selling price required significant audit effort and judgment.

How the matter was addressed in the audit:

Our audit procedures related to revenue recognition included the following, among others:

- We evaluated management's significant judgments and methodology to determine the stand-alone selling prices by comparing it to estimated costs, and historical pricing patterns; and
- For a sample of revenue contracts within all revenue streams:
 - We examined contracts, client change requests, delivery correspondence, cash receipts, and accounting records to:
 - Assess management's identification of distinct performance obligations and agree key contractual terms, including pricing, delivery date, contract terms, and billing terms and conditions;
 - Evaluate timing of the satisfaction of the performance obligations; and
 - Evaluate management's inputs for estimates used in revenue computations.
 - We evaluated the appropriateness of recognized revenue and deferred revenue balances by independently calculating and comparing to management's computations.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cameron Rustad.

RSM Canada LLP

Chartered Professional Accountants
April 14, 2025
Calgary, Alberta

RENOWORKS SOFTWARE INC.

Statements of Financial Position

As at December 31, 2024 and December 31, 2023

In Canadian dollars

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,536,671	\$ 645,549
Trade and other receivables (note 15(b))	547,746	666,193
Prepaid expenses	74,118	67,874
Contract assets (note 6)	120,408	114,516
Loans receivable (notes 14 and 16)	4,920	4,501
Total current assets	2,283,863	1,498,633
Non-current assets:		
Property, plant and equipment (note 10)	61,490	71,646
Contract assets (note 6)	253,134	54,636
Loans receivable (notes 14 and 16)	42,932	47,851
Total assets	\$ 2,641,419	\$ 1,672,766
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 125,984	\$ 234,564
Deferred revenue (notes 5 and 7)	2,279,330	1,492,426
Total current liabilities	2,405,314	1,726,990
Non-current liabilities:		
Deferred revenue (notes 5 and 7)	240,467	140,968
Total liabilities	2,645,781	1,867,958
Shareholders' equity		
Share capital (note 11)	8,781,734	8,781,734
Warrants (note 11(a))	26,787	26,787
Contributed surplus (note 11(b))	1,286,846	1,229,074
Deficit	(10,099,729)	(10,232,787)
Total shareholders' deficiency	(4,362)	(195,192)
Total liabilities and shareholders' deficiency	\$ 2,641,419	\$ 1,672,766

Going concern (note 2 (e))

Subsequent event (note 19)

See accompanying notes to the financial statements.

Approved by the Board:

Signed "Nairn Nerland", Director

Nairn Nerland

Signed "Greg Martineau", Director

Greg Martineau

RENOWORKS SOFTWARE INC.

Statements of Profit (Loss) and Comprehensive Profit (Loss)

Years ended December 31, 2024 and 2023

In Canadian dollars

	2024	2023
Revenue (note 5)	\$ 6,942,578	\$ 6,292,601
Cost of sales (note 8)	1,822,328	1,862,133
Gross margin	5,120,250	4,430,468
Selling, general and administrative expenses (note 8)	3,536,385	3,428,742
Research and development expenses (note 8)	1,742,658	1,440,671
Total expenses (note 8)	5,279,043	4,869,413
Loss from operating activities	(158,793)	(438,945)
Net finance income (note 9)	9,523	3,656
Foreign exchange gain (loss)	282,328	(62,482)
	291,851	(58,826)
Net profit (loss) and comprehensive profit (loss)	\$ 133,058	\$ (497,771)
Net profit (loss) per share - basic and diluted	\$ 0.00	\$ (0.01)
Weighted average shares outstanding - basic (note 11(c))	40,664,635	40,664,608
Weighted average shares outstanding - diluted (note 11(c))	40,933,499	40,664,608

See accompanying notes to the financial statements.

RENOWORKS SOFTWARE INC.

Statements of Changes in Shareholders' Equity (Deficiency)

Years ended December 31, 2024 and 2023

In Canadian dollars

	Number of common shares	Share capital	Warrants	Contributed surplus	Deficit	Total equity/(deficiency)
Balance at January 1, 2023	40,662,635	\$ 8,780,760	\$ 26,787	\$ 1,160,184	\$ (9,735,016)	\$ 232,715
Exercise of share options (note 12)	2,000	974	-	(374)	-	600
Share-based compensation (note 8 and 12)	-	-	-	69,264	-	69,264
Net loss and comprehensive loss	-	-	-	-	(497,771)	(497,771)
Balance at December 31, 2023	40,664,635	\$ 8,781,734	\$ 26,787	\$ 1,229,074	\$ (10,232,787)	\$ (195,192)
Share-based compensation (note 8 and 12)	-	-	-	57,772	-	57,772
Net income and comprehensive income	-	-	-	-	133,058	133,058
Balance at December 31, 2024	40,664,635	\$ 8,781,734	\$ 26,787	\$ 1,286,846	\$ (10,099,729)	\$ (4,362)

See accompanying notes to the financial statements

RENEWORKS SOFTWARE INC.

Statements of Cash Flows

Year ended December 31, 2024 and 2023

In Canadian dollars

	2024	2023
Cash flows from operating activities:		
Net income (loss) and comprehensive income (loss) for the year	\$ 133,058	\$ (497,771)
Adjustments for:		
Depreciation of property, plant and equipment (note 10)	21,857	27,073
Interest expense (note 9)	219	84
Share-based compensation (notes 8 and 12)	57,772	69,264
Employee benefit portion on loan (note 14)	(4,500)	11,372
Bad debt expense (note 8)	15,002	3,231
	223,408	(386,747)
Change in trade and other receivables	103,445	65,282
Change in prepaid expenses	(6,244)	(15,959)
Change in contract assets	(204,390)	(27,191)
Change in trade and other payables	(108,580)	92,259
Change in deferred revenue	886,403	219,608
	894,042	333,999
Interest paid (note 9)	(219)	(84)
Net cash from (used in) operating activities	893,823	(52,832)
Cash flows used in investing activities:		
Proceeds received on loan repayment (note 14)	9,000	750
Purchase of property, plant and equipment (note 10)	(11,701)	(7,049)
Net cash used in investing activities	(2,701)	(6,299)
Cash flows from financing activities:		
Proceeds from exercise of share options (note 12)	-	600
Net cash from financing activities	-	600
Net increase (decrease) in cash and cash equivalents	891,122	(58,531)
Cash and cash equivalents, beginning of year	645,549	704,080
Cash and cash equivalents, end of year	\$ 1,536,671	\$ 645,549

See accompanying notes to the financial statements.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

1. Reporting entity:

RenoWorks Software Inc. (“RenoWorks” or the “Company”) is a company registered in Alberta, Canada. The address of the Company’s registered office is, 2720, 308 – 4th Avenue SW Calgary, AB, T2P 0H7. RenoWorks develops and distributes digital visualization software for the renovation and new home construction sectors. RenoWorks is a publicly-traded company listed on the TSX Venture Exchange under the symbol “RW”.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on April 14, 2025.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars which is the Company’s functional currency.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, 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 Note 4: Determination of fair values.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

2. Basis of presentation (continued):

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 Note 3(g): Share-based payment transactions, and Note 3(h): Revenue. Determination of the separately identifiable performance obligations and the relative fair value and revenue recognition timing of the performance obligations is subject to critical judgements. Critical judgements are required to assess whether or not a deferred tax asset should be recognized for temporary tax differences.

(e) Going concern:

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company incurred a loss from operating activities of \$158,793 (2023 - \$438,945) during the year ended December 31, 2024. The Company has a history of operating losses and has a deficit of \$10,099,729 at December 31, 2024 (2023 - \$10,232,787).

These factors indicate the existence of material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent on generating a profit from operations through increased sales volumes.

Whether the Company can continue to generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2024 is uncertain. Until this time, management may have to raise funds by issuing debt or equity issuances or by improving profitability.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies

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. Management is currently assessing its impact and does not expect a material effect on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency:

Transactions in foreign currencies are translated to the functional Canadian currency of the Company at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on the retranslation are recognized in profit or loss.

(b) 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.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

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.

(c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. To estimate the fair value of its financial instruments, the Company uses quoted market prices when available, or third-party models and valuation methodologies that use observable market data. Fair value is measured using the assumptions that market participants would use, including transaction-specific details and non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Pricing inputs are other than quoted prices in active markets and are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs that can be substantially observed or corroborated in the marketplace.
- Level 3: Valuations are those with inputs for the asset or liability that are not based on observable market data.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

The fair values of cash and cash equivalents, loans receivable, trade and other receivables, and trade and other payables approximate their respective carrying values due to their short-term nature, or because they bear interest at rates which approximate market rates.

(d) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal and the carrying amount of the item is recognized in profit and loss.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss based on the declining balance method of calculating depreciation since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(ii) Subsequent costs:

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation:

Depreciation methods and residual values are reviewed at each financial year-end and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

The declining balance percentages for each class of assets are as follows:

Furniture and fixtures	20%
Computer hardware	30%
Computer software	100%

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(e) Impairment:

(i) Financial assets:

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if, after initial recognition of the financial asset, one or more indicators exist that reduce estimated future cash flows from the financial asset and that impact can be reliably measured. The Company applies the simplified approach to expected credit loss measurement, which uses a lifetime expected impairment to determine the expected credit loss. The Company uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through an allowance account, and the loss is recognized in selling, general, and administrative expenses.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

(f) Research and development:

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is expensed in profit and loss as incurred.

Development activities involve a plan or design to produce new or substantially improved products or processes. Development expenditures are capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labor, capitalised borrowing costs and overhead costs that are directly attributable to preparing the asset for its intended use. Development expenditures not meeting these criteria are expensed in profit and loss as incurred.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(g) Share-based payment transactions:

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

(h) Revenue:

Revenue from the sale of all goods and services is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists that control of the goods or services have been transferred to the buyer and it is probable that the consideration will be collected.

The Company provides software as a service ("SaaS") and services that are related to the SaaS. When two or more deliverables are sold under a single arrangement, each deliverable that is considered to be a separate performance obligation is accounted for separately. The allocation of consideration from the revenue arrangement to its separate performance obligation is based on the relative stand-alone selling price of each performance obligation.

The Company's performance obligations consist of the following:

Performance obligations from contracts with customers	Timing of the satisfaction of the performance obligation	Pattern of transfer of control
Implementation, licensing, and hosting	Over the life of the contract	Over time
Digital library design services	Upon completion and delivery	At a point in time
All other design services	Upon completion and delivery	At a point in time

Implementation, licensing, and hosting services are a single performance obligation as these services are not distinct. Typical payment terms for the implementation phase are 50% of implementation charges upon order with the remaining balance due on delivery and acceptance of the implementation phase. Typical payment terms for the licensing and hosting phase are monthly, quarterly, or annual payments over the term of the agreement. Typical payment terms for the design performance obligation are as or when the performance obligation is satisfied. All customer deposits are outstanding for less than one year and, as such, the Company applies the practical expedient in IFRS 15 and does not adjust the promised amount or consideration for the effects of any financing components.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Implementation of web application and customized software, hosting and licensing:

Revenue from the implementation of customized software, iPhone applications, iPad applications, Android applications, and web applications is recognized in profit or loss beginning on the date of

acceptance by the client. Revenue from these products is recognized over the life of the related licensing term (usually three years).

Revenue from hosting and licensing the Company's SaaS for clients is recognized in profit or loss ratably over the term of the arrangement, beginning on the date the product was delivered.

Client Change Requests ("CR"): Revenue from change requests is recognized in profit or loss either at a point in time or over time, based on the nature of the deliverable. If the deliverable in the CR is integral to the functionality or is a major upgrade, revenue is recognized in profit or loss over time. If the CR has a new licensing term, this term will be used. Otherwise, the original term will be applied to the CR and will be amortized over the remaining term of the licensing agreement.

If the deliverable in the CR is a minor change to a feature or functionality, revenue is recognized in profit or loss on the date that control of the deliverable is passed and accepted by the client.

Digital product library and other design services:

Revenue from providing digital product library and other design services is recognized in profit or loss on completion of the service.

(i) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except for items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

(k) Cash and cash equivalents:

Cash and cash equivalents consists of amounts held in bank accounts and highly liquid short-term investments that are redeemable or have maturities of less than or equal to three months.

(l) Government assistance:

Government grants and credits are initially recorded as a liability when funds are received in advance of the costs to which the funds relate. Grants and credits are recognized into income or against the assets to which the grants relate when the Company establishes reasonable assurance of compliance with the applicable terms and the amounts will be realized. Upon recognition, the amounts are credited against the expense or assets to which the amounts relate.

4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions and warrants:

The fair values of the employee share options and warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, expected forfeiture rates and the risk-free interest rate (based on a government bond with a comparable term). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair values.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

5. Revenue by product:

	2024	2023
Design services	\$ 2,962,942	\$ 2,761,558
Licensing and hosting	2,764,398	2,251,019
Libraries	709,257	760,781
Implementation	505,981	519,243
Total Revenue	\$ 6,942,578	\$ 6,292,601

Revenue by geographical area:

	2024	2023
Canada	\$ 231,782	\$ 244,928
United States	6,689,894	6,036,238
Other	20,902	11,435
Total Revenue	\$ 6,942,578	\$ 6,292,601

For the twelve months ended December 31, 2024 34% (2023 - 34%) was earned from one major customer.

As at December 31, 2024, the Company expects to recognize revenue related to the unsatisfied or partially unsatisfied implementation, licensing and hosting performance obligation, that are unsatisfied or partially unsatisfied of \$2,519,797. Of this amount, \$2,279,330 is expected to be recognized in 2025, \$170,236 in 2026, \$67,194 in 2027 and \$3,037 in 2028.

6. Contract assets:

Contract assets consist of commissions paid on new contracts and costs incurred in advance to fulfil contracts. The changes in contract costs during the period consist of:

	2024	2023
Balance, beginning of year	\$ 169,152	\$ 141,961
Additions	396,040	215,232
Recognized in costs:		
From opening balances	(117,368)	(87,969)
From additions during the year	(74,282)	(100,072)
Balance, end of year	\$ 373,542	\$ 169,152
Current portion	120,408	114,516
Non-current portion	253,134	54,636
Total	\$ 373,542	\$ 169,152

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

7. Deferred revenue:

Timing differences between invoicing, cash collection and revenue recognition results in accounts receivable and deferred revenue on the statement of financial position. The changes in deferred revenue during the year consist of:

	2024	2023
Balance, beginning of year	\$ 1,633,394	\$ 1,413,786
Collected	2,727,181	1,864,707
Recognized in revenue:		
From opening balances	(1,352,069)	(1,136,534)
From additions during the year	(488,709)	(508,565)
Balance, end of year	\$ 2,519,797	\$ 1,633,394
Current portion	2,279,330	1,492,426
Non-current portion	240,467	140,968
Total	\$ 2,519,797	\$ 1,633,394

8. Total Expenses:

Expenses are comprised of the following items:

	2024	2023
Research and development	\$ 1,742,658	\$ 1,440,671
General and administrative salaries and wages	1,630,287	1,504,222
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 (note 12)	57,772	69,264
Office and rent	32,412	38,105
Depreciation of property, plant and equipment (note 10)	21,857	27,073
Bad debt expense	15,002	3,231
Training and development	11,638	8,650
Government grant	(8,438)	(97,447)
Total	\$ 5,279,043	\$ 4,869,413

Cost of sales includes \$1,124,771 (2023 - \$1,169,682) of salaries and \$697,557 (2023 - \$692,451) of external third-party costs.

Salaries and wages for the year ended December 31, 2024 totaled \$4,142,828 (2023 - \$4,099,984).

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

9. Finance income and finance cost

	2024	2023
Other interest expense	(219)	(84)
Interest income	9,742	3,740
Net finance income	\$ 9,523	\$ 3,656

10. Property, plant and equipment:

Cost

	Computer hardware	Computer software	Furniture and fixtures	Total
Balance at January 1, 2023	\$ 513,499	\$ 87,938	\$ 55,770	\$ 657,207
Additions (disposals)	9,049	-	(2,000)	7,049
Balance December 31, 2023	522,548	87,938	53,770	664,256
Additions	11,701	-	-	11,701
Balance December 31, 2024	\$ 534,249	\$ 87,938	\$ 53,770	\$ 675,957

Accumulated depreciation

	Computer hardware	Computer software	Furniture and fixtures	Total
Balance at January 1, 2023	\$ 426,495	\$ 87,938	\$ 51,104	\$ 565,537
Depreciation for the year	26,596	-	477	27,073
Balance December 31, 2023	453,091	87,938	51,581	592,610
Depreciation for the year	21,419	-	438	21,857
Balance December 31, 2024	\$ 474,510	\$ 87,938	\$ 52,019	\$ 614,467

Carrying amounts

At December 31, 2023	\$ 69,457	-	\$ 2,189	\$ 71,646
At December 31, 2024	\$ 59,739	-	\$ 1,751	\$ 61,490

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

11. Share capital and contributed surplus:

(i) Share capital: Authorized:

Unlimited number of common shares

Unlimited number of preferred shares

(ii) Issued:

Common shares	2024	2023
Issued and outstanding at January 1	\$ 8,781,734	\$ 8,780,760
Issued via option exercise	-	974
Issued and outstanding at December 31	\$ 8,781,734	\$ 8,781,734
Number of shares		
Shares issued and outstanding at January 1	40,664,635	40,662,635
Issued via option exercise	-	2,000
Shares issued and outstanding at December 31	40,664,635	40,664,635

(a) Warrants:

Balance January 1, 2023	\$ 26,787
Balance December 31, 2023	\$ 26,787
Balance December 31, 2024	\$ 26,787

As at December 31, 2024 the Company has 805,000 unexercised warrants which will expire on October 20, 2025. The fair value of \$0.03 for the April 20, 2022 warrants was calculated using the Black-Scholes model. The fair value of these warrants was calculated using a term of 1.5 years, a volatility of 61% based on the Company's historical volatility, and a discount rate of 2.7%.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

11. Share capital and contributed surplus (continued):

(b) Contributed surplus:

Balance, January 1, 2023	\$ 1,160,184
Share-based compensation expense	69,264
Exercise of share options	(374)
Balance, December 31, 2023	1,229,074
Share-based compensation expense	57,772
Balance, December 31, 2024	\$ 1,286,846

(c) Basic and diluted income (loss) per share:

For the year ended December 31	2024	2023
Basic weighted average common shares outstanding	40,664,635	40,664,608
Share options effect	268,864	-
Diluted shares outstanding	40,933,499	40,664,608
Net income (loss) and comprehensive income (loss)	\$ 133,058	\$ (497,771)
Basic and diluted income (loss) per share	0.00	(0.01)

The weighted average number of diluted common shares for the year ended December 31, 2024 excludes 2,449,500 options and 805,000 warrants (2023 – 3,543,000 options and 805,000 warrants) as they were anti-dilutive. The weighted average number of diluted shares is adjusted for 845,000 options (2023 – NIL).

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

12. Share-based compensation:

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options granted are exercisable at the market price of the shares at the date of grant, have a five-year term and vest in accordance with the terms of the individual grants.

The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	3,543,000	\$ 0.34	3,063,500	\$ 0.39
Forfeited during the year	(408,500)	0.16	(165,500)	0.46
Expired during the year	(950,000)	0.31	(268,000)	0.27
Exercised during the year	-	-	(2,000)	0.30
Granted during the year	860,000	0.24	915,000	0.17
Outstanding at December 31	3,044,500	\$ 0.35	3,543,000	\$ 0.34
Exercisable at December 31	1,704,667	\$ 0.42	2,096,000	\$ 0.39

During the year ended December 31, 2023 2,000 options were exercised by employees for proceeds totaling \$600. The Company's weighted average share price at the time the options were exercised was \$0.19. In 2023 \$374 was transferred from contributed surplus to share capital on exercise of the stock options.

During the year ended December 31, 2024 the Company issued 860,000 (2023 – 915,000) share options to employees, officers, directors and consultants to the Company. All of the options issued in 2024 (2023 – 515,000) vest one-third annually over three years. In 2023 400,000 options were performance based and were to vest in one year if certain revenue performance targets were achieved. The targets were not achieved in 2024, therefore the share options were forfeited on December 12, 2024.

The fair value of the options issued to employees, consultants, directors, and officers was estimated using the Black-Scholes option-pricing model with the following weighted average inputs:

	2024	2023
Fair value per option	\$0.15	\$0.06
Share price	\$0.24	\$0.12
Exercise price	\$0.24	\$0.18
Expected life of options	5 years	5 years
Expected volatility	74%	63%
Forfeiture rate	10%	23%
Risk free rate of return	3.04%	3.34%

Expected volatility is based on the Company's historical volatility.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

12. Share-based compensation (continued):

Share-based compensation of \$57,772 was expensed during 2024 (2023 - \$69,264).

The weighted average remaining lives of the Company's outstanding options as at December 31, 2024 is 2.87 years (2023 – 2.63 years).

13. Income tax expense:

Reconciliation of effective tax rate:

	2024	2023
Net income (loss before taxes)	\$ 133,058	\$ (497,771)
Statutory income tax rate	23.0%	23.0%
Computed income tax expense (recovery)	30,603	(114,487)
Increase (decrease) resulting from:		
Non-deductible expenses	15,706	15,107
Change in deferred tax assets not recognized	(8,919)	92,316
Change in prior year tax estimate	(37,390)	7,064
Total income tax expense	\$ -	\$ -

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2024	2023
Non-capital losses	\$ 3,089,096	\$ 3,417,796
Research and development expenses	3,907,674	3,619,033
Other temporary differences	(24,030)	(25,312)
	\$ 6,972,740	\$ 7,011,517

The tax losses expire between 2028 and 2044. The deductible temporary differences and research and development expenses do not expire under current tax legislation. Deferred taxes have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

14. Loans Receivable:

Loans Receivable	December 31, 2024	December 31, 2023
Opening balance	\$ 52,352	\$ 64,474
Repayment of loan	(9,000)	(750)
Employee benefit portion adjustment	4,500	(11,372)
Total Loans Receivable	\$ 47,852	\$ 52,352
Less current portion	4,920	4,501
Non-current loans receivable	\$ 42,932	\$ 47,851

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.

15. Financial risk management:

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

(a) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

15. Financial risk management (continued):

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) 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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2024	2023
Trade and other receivables	\$ 547,746	\$ 666,193
Cash and cash equivalents	1,536,671	645,549
Total	\$ 2,084,417	\$ 1,311,742

The Company's exposure to credit risk is influenced by the individual characteristics of each customer.

The maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Carrying amount	
	2024	2023
Domestic	\$ 26,620	\$ 30,200
United States	521,126	635,993
Total	\$ 547,746	\$ 666,193

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

15. Financial risk management (continued):

The aging of receivables at the reporting date was:

	December 31 2024	December 31 2023
Not past due	\$ 165,837	\$ 106,831
1 – 30 days	56,008	18,865
31 – 60 days	104,688	228,474
61 – 90 days	83,039	243,234
91 – 120 days	155,174	62,188
More than 120 days	-	23,601
Bad debt allowance	(17,000)	(17,000)
Total	\$ 547,746	\$ 666,193

The Company has established an allowance for impairment as at December 31, 2024 of \$17,000 (2023 - \$17,000). As at December 31, 2024 the Company had \$155,174 (2023 - \$68,789) of outstanding accounts receivable that are more than 90 days past due which represents 28% (2023 - 10%) of total accounts receivable. \$17,538 (2023 - \$14,688) of total trade and other receivables amounts remain unpaid at the date of approval of these financial statements.

As at December 31, 2024 \$90,763 (2023 - \$467,623), of trade and other receivables were due from one customer. During the year ended December 31, 2024 34% (2023 - 34%) of revenue was earned from one customer.

The Company manages credit risk by holding its cash and cash equivalents with major financial institutions and by only extending credit to reputable corporations and monitoring aging of trade and other receivables by customer.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(i) Currency risk:

The Company's exposure to foreign currency risk was as follows:

	US\$	
	December 31 2024	December 31 2023
Cash – U.S.	\$ 977,421	\$ 344,561
Trade receivables – U.S.	370,557	480,866
Trade payables – U.S.	(34,298)	(36,944)
Net exposure	\$ 1,313,680	\$ 788,483

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

15. Financial risk management (continued):

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 a decrease in net profit 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%.

The Company has no forward exchange rate contracts in place as at or during the years ended December 31, 2024 or December 31, 2023.

(ii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash flows are not exposed to interest rate fluctuations as it has no debt that bears a floating rate of interest.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. At December 31, 2024, the Company had working capital deficit of \$121,451 (2023 – deficit of \$228,357).

The following are the contractual payments that impact the liquidity of the organization in future periods:

December 31, 2024	Contractual cash flows			
	Total	1 year	2-5 years	>5 years
Trade and other payables	\$ 125,984	\$ 125,984	\$ -	\$ -
Net exposure	\$ 125,915	\$ 125,915	\$ -	\$ -

(e) Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders' equity to be the capital of the Company. There were no changes to the Company's capital management objectives during the year.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

16. Related parties:

(a) Transactions with officers and directors:

The Company had loans receivable outstanding of \$47,852 from an officer and director during the year ended December 31, 2024 (see note 14).

(b) Key management personnel compensation:

In addition to their salaries, directors and officers participate in the Company's share option program (see note 12).

Key management personnel compensation comprised:

	2024	2023
Wages and salaries	\$ 1,023,126	\$ 962,319
Share-based compensation expense	32,467	41,472
Total	\$ 1,055,593	\$ 1,003,791

Key management personnel include directors, officers, and senior members of management of the Company.

17. Government grants:

The Company received funding from various government programs in 2024 and 2023. During the year ended December 31, 2024, the Company received \$8,438 (2023 - \$92,813) of funding from the Alberta Innovates Technology grant which was recorded as a reduction to general and administration costs. In 2024 the Company also received \$ NIL (2023 - \$4,634) of funding from the Industry Commercialization Associates program funded by Alberta Innovates, which was recorded as a reduction to general and administrative costs.

The Company was entitled to investment tax credits due to its expenditures in scientific research and experimental development ("SR&ED"). For the year ended December 31, 2024, the Company received \$ NIL (2023 - \$191,787) as a direct result of these SR&ED expenditures. This entire amount has been accounted for as a reduction from research and development expense.

18. 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.

RENOWORKS SOFTWARE INC.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

19. Subsequent event:

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