



RECLAIM



REKLAIM LTD. (FORMERLY KILLI LTD.)

Management's Discussion & Analysis
As at September 30, 2022, and 2021

DATED: November 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Reclaim (formerly Killi Ltd.) ("**the Company**") and the notes to those statements as for the period ended September 30, 2022. The accompanying condensed interim financial statements have been prepared and are the responsibility of Reclaim's management. The consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34 and International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Dollar amounts are expressed in Canadian dollars unless otherwise noted.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking information and statements. Except for statements of historical fact that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve several risks and uncertainties, including statements regarding the addition of accounts and the conversion of such accounts to users; the growth of the Company's active user base; the Company's strategic partnerships; the Company's growth of revenue generated; the Company's plans to scale its business; the Company's communications with accounts; the introduction of new products and features such as Data Earnings (formerly, Killi Paycheck); My Footprint; improvements to user experience on the Reclaim platform; and the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will," "may," "should," "continue," "anticipate," "believe," "plan(s)," "estimate," "project," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management. These risks and uncertainties could cause actual results to differ materially from those indicated. Such risks and uncertainties include, but are not limited to: the Company may not be successful in acquiring data, adding accounts to its platform, or converting such accounts to users; the Company's active user base may not grow despite the Company's efforts; the Company may not be able to cultivate strategic partnerships in the future; the Company's revenue may not increase over time; the Company may not be able to scale its business; the Company may not be successful in obtaining opt-in from the accounts; the Company may not introduce any new products or features; the Company may not be able to improve user experience on the Reclaim platform; the ability of the Company to implement its growth strategy and the uncertainty surrounding the spread of COVID-19 and the impact it will have on the Company's operations and economic activity in general. Forward-looking statements

are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A, and Reclaim disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should not place undue reliance on the Company's forward-looking statements.

OVERVIEW OF THE BUSINESS

Every consumer has a data profile circulating in the market today. No consumer has access to this profile nor options or control over it. Reclaim is focused on changing this for the world's 7 billion consumers. Reclaim's mission is to provide every single consumer with access to their data, to view the data that is in the market; to see what companies are using it for; to see how much revenue is being generated from it, and; to allow consumers to take back control of this data and decide what THEY want to do with their data. The future of data includes the consumer, and Reclaim aspires to be the company to do that.

Consumers in North America can visit Reclaim and add an email address or phone number to the platform to query what data is circulating on them in the market today. Once validated, Reclaim cross-references this email address or phone number across approximately 30,000 different data and security sources and shows the user the data others are exploiting and what has been breached or hacked. Reclaim is the only company in the world that provides this service. With this transparency now supplied to a consumer, the user can decide if they would like to place this data in a Reclaim account. In a Reclaim account, users can edit, add or remove data from their profile. They can also opt-out or opt-in to be compensated in exchange for the use of their data. Should a user opt-in, they will receive a weekly paycheck that they can claim weekly and have redeemed into various forms, including, but not limited to, crypto, gift cards, or charitable donations. Users who prefer not to sell their data can choose a suite of privacy products to reduce the amount of data they leak into the market from their various devices. 87% of the North American population can find data in the Reclaim ecosystem when adding more than one email or phone number.

By offering compliant, zero-party data to brands, agencies, platforms, and data companies, Reclaim provides an environment where these firms can purchase this data directly from the user (Fair Trade Data), solving data issues around compliance and fidelity, privacy, and consent. Reclaim earns a commission each time data is purchased.

In September 2021, the Company announced a rebranding from Killi to [Reclaim](#) to align the Company's brand more directly with its mission of providing consumers with a destination to view and take action from their data. Reclaim believes that there is currently no Direct-to-Consumer ("DTC") brand in the marketing for consumer data and believes by becoming the destination for consumers that, its brand will become synonymous with consumer privacy.

Reclaim Highlights for the period ending September 30, 2022 (Q3 2022)

- Revenue for the three months ended September 30, 2022, grew to \$606,431, a 163% increase over Q3 2021 and to \$1,642,380 for the year to date, a 194% increase over YTD 2021.
- Gross Margins improved to 17% for the three months ending September 30, 2022, compared to -116% in 2021. This marks the first time Reclaim has had a positive gross margin, \$101,033 compared to -\$239,260 in the same period 2021
- Recurring revenue in the third quarter of 2022 grew to 90% and is 83% YTD 2022.
- To ensure ongoing engagement, the company updated the 'paycheck' redemption process requiring users to 'claim' their weekly paycheck. The result of this was improved engagement from users and a reduction in costs related to the weekly paycheck, one of the largest costs in the business, by 73%.

Key Performance Indicators ("KPIs") for 2022

Following our efforts to scale data accounts and distribution channels, Reclaim is successfully executing its business-to-business ("**B2B**") strategy of selling unique consumer data to a large and growing list of clients. Although our business has seasonality (more robust in the fourth calendar quarter vs. the first calendar quarter), our B2B sales efforts are ramping up. We track our progress with the following KPIs:

- Revenue generated through Global data platforms increased by 18% in Q3 2022 over Q2 2022 and by 131% year-over-year. We anticipate growth to continue in this channel with the addition of new additional distribution, increased data, as well as organic growth of existing platforms and clients.
- The number of B2B customers remained constant at 96 at the end of Q3 2022 compared to 75 in Q3 2021. This represents a 28% increase or 21 additional customers.
- Increased the number of NEW clients by 28% in Q3 2022 compared to the same quarter in 2021.

OBJECTIVES AND OUTLOOK

Reclaim now has over 320 million accounts on its platform through strategic partnerships with data companies, security firms, and publishers. These partners bring their data to Reclaim to augment the fidelity and consent of this data. Typical use cases for partners are adding new identifiers such as email or mobile ID to an existing profile, adding attributes such as age and gender to an existing profile, or re-enforce consent from a user. Although the Company anticipates the number of profiles will continue to grow, Reclaim's priority is to drive increased revenue by selling more data to more brands, agencies, and data companies while simultaneously expanding sales distribution for Reclaim data. Revenue is accelerating quarterly, with a growing list of Fortune 500 clients buying Reclaim data.

The US\$245 billion¹ data market is transitioning from one of consumer inclusion to one that legally requires it. The EU, Canada, California, Colorado, Virginia, Utah, and Connecticut have passed consumer data privacy laws requiring more consumer inclusion. Furthermore, 28 U.S. states² have proposed privacy Bills that focus on consumer inclusion and privacy. In addition, in January 2023, the California Privacy Right Act (CPRA) will go into effect, an amendment to its predecessor the California Consumer Protection Act (CCPA). This law created the California Privacy Protection Agency (CPPA), which, amongst duties, will enforce the laws enshrined in the California Consumer Privacy Act. Additionally, the Attorney General of California has proven to be very active in pursuing brands, such as [Sophora](#), that are not in line with privacy. It is expected that this litigious environment will accelerate in 2023 as both the AG and CPPA look to enforce their agenda.

In the absence of a U.S. federal data privacy law (although the Information Privacy and Data Transparency Act was re-introduced), enterprises that use unconsented consumer data face legal and logistical issues to remain compliant across state lines. CEOs of companies that collect and ingest data are looking to neutralize this liability by partnering with companies that can provide the required data to run their businesses while mitigating this legal and supply exposure.

Compounding these privacy issues are the actions taken by big technology firms to protect user data. Apple now allows iOS users to opt out of ad tracking, which over 90% of users do. At the same time, Google announced it would ban third-party cookies in Chrome, a browser with over 65% global market share. The cookie removal by Google will remove tracking for the 1.8 billion websites operating on the open web today that rely on this variable to monetize their property. Every publisher must find a new supplier or risk going dark. It is important to note that Reclaim can provide the necessary data to these brands to offset cookie deprecation. These two changes by Apple and Google have already had a material impact on the industry. Any company

¹ <https://www.statista.com/statistics/1135046/value-of-data-market-us/#statisticContainer>

² <https://iapp.org/resources/article/us-state-privacy-legislation-tracker/>

that depends on Apple or Google 'cookie' data must find new suppliers. In Q4 2021, Facebook announced a USD\$10 billion reduction in earnings due precisely to the Advanced Ad Tracking (ATT) privacy change in Apple. Similar write-downs occurred at Twitter, SNAP, Pinterest, and other companies that rely on this data. We expect this trend to continue in future quarters and accelerate as additional variables such as IP Addresses and mobile IDs are restricted further.

The data market is going through a massive reduction in supply as OEMs allow less data to leak from their devices. Similar to any supply crunch, when the available inventory is reduced, those with supply benefit from increased sales and pricing. Reclaim is positioned to take advantage of this supply reduction now and in quarters to come as the reduction accelerates. Brands, companies, and advertising agencies, who all currently buy data today, will not stop buying data in the future but instead will be required to find a new supplier that is both compliant and has scale. The Company stands to benefit from our scale of data as brands, agencies, and platforms are cut off from their previous supply and are forced to look to new companies that can provide data at a scale that is both compliant and not exposed to cookies. We have demonstrated this in previous quarters as we continue to add and return Fortune 500 brands as clients of Reclaim. As the industry collapses, Reclaim is positioned to take advantage of all current data buyers looking for a new supplier and accelerate its revenue growth.

The Company anticipates continued growth in the number of customers buying its data. Revenue per account should increase as the data segments and internal sales team grows. Selective M&A opportunities to absorb data companies that are cash flow positive, have growing top-line revenue, and have Fortune 500 clients but lack the tools to stay compliant in the future are also options that Reclaim will look at to accelerate the growth of the business. Additionally, media companies that lack a unique set of data from which to differentiate themselves are also possible targets for the company in the future as a vertically integrated privacy + media + data execution is currently lacking in the market today. The Company expects future quarters in 2022 to show similar growth to previous quarters.

Key goals for Q4 2022

- Continue to expand on the number of B2B platforms that carry Reclaim data and expose it to their clients. Doing so will result in friction-free, high-margin recurring revenue for the business.
- Expand the Company's B2B customer base and revenue by capitalizing on the momentum in the market for compliant data.

- Close transaction as it relates to Multi-Media Lists, doubling monthly revenue and adding positive cash flow to the business.
- Expand the Reclaim 'consent' and 'do not sell' B2B offerings into the emerging clean room space by partnering with one substantial company to offer Reclaim services
- Continue to focus on improved operating margins and cost reductions to maintain a cash-neutral / cash-positive business.
- Remove unprofitable business models or those models that do not have the potential to scale 5x so we can focus on those products and models that will.

Business-to-Business Growth

The Company is focused on increasing the volume of data sold to existing and new clients from the insights generated from its 320 million data profiles. To accelerate its data monetization, the Company plans to increase the size of its existing sales team in the USA to generate more leads. Additionally, the Company will look for selective, cash flow neutral, or positive acquisitions to drive more revenue and volume in the business.

Accounts versus Active Users

In addition to individuals signing up directly to the Reclaim platform, the Company acquires consented data through partnerships with publishers and data companies. Like Uber and Airbnb, Reclaim aspires to 'own' no data, rather acting as a destination for consumers who can own and manage their data for a fee creating an increasingly high-margin, asset-light business model.

After integrating data from its partners, the Company attempts to contact each account to notify them of how they can access their data while allowing them to take advantage of the income opportunities offered in the Company's ecosystem. Through Reclaim's My Footprint, which was introduced in 2021, users can see what data companies are purchasing and for how much. Reclaim is the only company today offering consumers access to the data that has historically been collected and sold without their participation. Upon joining the Reclaim platform, the Company recognizes such an account as active and is integrated into the Company's ecosystem.

If the account opts out, the account is removed from the Company's platform.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 606,431	\$ 230,284	\$ 1,642,380	\$ 558,342
Cost of Services	505,398	469,544	1,963,156	950,048
Gross Margin	101,033	(239,260)	(320,776)	(391,706)
General and administrative	471,618	276,392	1,265,471	1,049,922
Research and development	151,413	210,361	826,242	662,257
Selling and business development	104,871	386,052	743,257	958,233
Marketing	71,874	488,104	743,655	1,379,400

a) Revenue

The Company currently generates revenue through two revenue streams: identity and platform. Identity revenue is generated by selling derivative data products that consist of new identifiers, behavioral attributes, and consent.

Platform revenue is generated by selling audience segments to data platforms. The following chart shows the breakdown of revenue earned in the various channels for the period ending September 30, 2022, and 2021.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue				
Identity	\$ 233,290	\$ 74,217	\$ 578,508	\$ 201,754
Platform	373,141	156,067	1,063,872	356,588
Total revenue	606,431	230,284	1,642,380	558,342

The Company's operating revenue increased to \$606,431 and \$1,642,380 for the three and nine months that ended September 30, 2022, compared to \$230,284 and \$558,342 for the same periods in 2021 (an increase of 163% and 194%, respectively). This increase was due to the Company's focus on monetizing the scale, distribution, and increased awareness of our products.

The Company's other income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Other income				
Gain on sale of Freckle business unit	\$ -	\$ 36,742	\$ 4,446	\$ 145,397
Other income	23,270	-	340,068	-
Interest income	913	3,179	1,187	9,451
Total other income	\$ 24,183	\$ 39,921	\$ 345,701	\$ 154,848

This gain on sale is directly related to the definitive asset purchase agreement with PlacelQ. Revenue share from the sold book of business has been recognized and is offset by legal expenses directly attributable to the transaction.

Other income relates to a gain on reversal of accounts payable, which the Company's management determined to be statute barred under the Limitations Act (Ontario).

Interest income relates to interest earned on funds held as part of a deposit account.

b) Cost of Services/Gross Margin

The Company's cost of services is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Data Engineering				
Salaries	\$ 50,101	\$ 92,727	\$ 205,104	\$ 238,101
Hosting fees	341,658	344,467	1,374,550	580,766
Total data engineering costs	\$ 391,759	\$ 437,194	\$ 1,579,654	\$ 818,867
Management Platforms	113,639	32,350	383,502	131,181
Total cost of sales	\$ 505,398	\$ 469,544	\$ 1,963,156	\$ 950,048

In Q4 2021, the company began streamlining the costs of sales to help the company move towards positive growth. The Company has seen improvement with a 22% decrease in the cost of sales as compared to Q2-2022 and a 37% decrease when compared to Q1-2022. With the growth rates in revenue we have experienced in previous quarters, the Company is set for accelerated margin and top-line profitability in the near term.

The data engineering costs are salaries, benefits, and web hosting/processing fees directly associated with sales rather than with Research and Development.

Management platforms are costs related to platform fees and running consumer-facing polls.

The Company's gross margin is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 606,431	\$ 230,284	\$ 1,642,380	\$ 558,342
Cost of Services	505,398	469,544	1,963,156	950,048
Gross Margin	\$ 101,033	\$ (239,260)	\$ (320,776)	\$ (391,706)
Gross Margin %	17%	-104%	-20%	-70%

For Q3 2022, the Company's revenue line combined with reduced costs of services resulted in an improvement in gross margins. The 3 months that ended September 30, 2022, saw a gross margin of 17% (\$101,033), compared to -104% (-\$239,260) in Q3-21, a 142% improvement. This marks the first quarter, where Reclaim has experienced a positive gross margin. Year-to-date gross margins improved to -20%, as compared to -70% in the same period in 2021, an improvement of 18%. Through automation, continued cost reduction, and growing revenue in platforms, the Company will see improved gross margins for all products moving forward.

c) Expenses

General and administrative expenses increased to \$471,618 and \$1,265,471 for the three and nine months ended September 30, 2022, compared to \$276,392 and \$1,049,922 for the same periods in 2021 (an increase of 71% and 21% respectively). The increase for the three and nine months that ended September 30, 2022, is primarily driven by interest and financing expenses, license dues and subscriptions, and professional services costs.

Research and development expenses decreased to \$151,413 and increased to \$826,242 for the three and nine months ended September 30, 2022, compared to \$210,361 and \$662,257 for the same periods in 2021 (a decrease of 28% and an increase of 25%, respectively). The decrease for the three months that ended September 30, 2022, was primarily driven by streamlining hosting fees and the Company's data architecture, while the YTD increase was primarily driven by salaries and third-party contractors due to a temporary expansion in the engineering team.

Selling and business development expenses decreased to \$104,871 and \$743,257 for the three and nine months ended September 30, 2022, compared to \$386,052 and \$958,233 for the same periods in 2021 (a decrease of 73% and 22%, respectively). The decrease is due primarily to a shift in strategy, focusing on data marketplaces, which resulted in a decrease in salaries and headcount.

Marketing expenses decreased to \$71,874 and decreased to \$743,655 for the three and nine months ended September 30, 2022, compared to \$488,104 and \$1,379,400 for the same periods in 2021 (a decrease of 85% and 46%, respectively). The decrease is due primarily to the decrease in salaries.

SELECT QUARTERLY RESULTS

	2022			2021				2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue - continued operations	606,431	645,008	390,941	454,585	217,293	171,577	156,745	142,870	9,686	10,252	15,035
Revenue - discontinued operations				-				-	-	-	1,225,509
Total revenue	606,431	645,008	390,941	454,585	217,293	171,577	156,745	142,870	9,686	10,252	1,240,544
Cost of services - continued operations	505,398	650,615	807,143	489,627	469,279	260,533	220,237	351,420	32,860	2,022	5,549
Cost of services - discontinued operations								(14,119)	(59,321)	159,455	354,469
Total cost of services	505,398	650,615	807,143	489,627	469,279	260,533	220,237	337,301	(26,461)	161,477	360,018
Gross profit - continued operations	101,033	(5,607)	(416,202)	(35,042)	(251,986)	(88,955)	(63,491)	(208,550)	(23,174)	8,230	9,486
Gross profit - discontinued operations				-				14,119	59,321	(159,455)	871,040
Total gross profit	101,033	(5,607)	(416,202)	(35,042)	(251,986)	(88,955)	(63,491)	(194,431)	36,147	(151,225)	880,526
Total Operating and Other	775,593	809,106	1,648,225	2,007,316	1,327,152	1,383,438	1,165,941	785,391	1,225,557	1,261,271	1,953,572
Net Loss	(674,560)	(814,713)	(2,064,427)	(2,042,358)	(1,579,138)	(1,472,393)	(1,229,433)	(979,822)	(1,189,410)	(1,412,496)	(1,073,046)

CASH FLOWS

The Company's cash position was \$485,125 on September 30, 2022, compared to \$2,031,753 on September 30, 2021.

	Nine months ended September 30,	
	2022	2021
Cash flows used in operating activities before working capital	\$ (3,219,660)	\$ (4,357,630)
Changes in working capital	280,660	441,849
Cash flows used in operating activities	(2,939,000)	(3,915,781)
Cash flows from financing activities	3,112,983	4,540,601
Cash flows from (used in) investing activities	(4,010)	128,311
Foreign currency translation difference	(175,469)	(240,878)
Increase (decrease) in cash	\$ (5,495)	\$ 512,253

Operating activities:

For the period ended September 30, 2022, cash spent on operating activities decreased by 25% compared to last year's same period. This decrease is primarily due to efficiencies found in cloud-based processing, data architecture, and reduced salaries.

Financing activities:

For the period ended September 30, 2022, cash received from financing decreased by 31% compared to last year's same period. In February 2022, the Company closed a \$1,640,000 secured debenture with a 12% interest rate that matures in February 2025. In addition, The Company issued 1,366,666 Class A common shares as bonus shares in connection with the Transaction (the "Bonus Shares"). Accordingly, as additional consideration, each Investor received Bonus Shares equal to 20% of the total amount of the Debentures purchased by the Investor based on the Company's closing price on the TSX Venture Exchange (the "TSXV") on February 23, 2022, of \$0.24/share. Of this amount, the Company's CEO, Neil Sweeney, participated in this transaction as a related part. In Q1-2021, the Company received from the \$4,585,362 oversubscribed non-brokered private placement that closed on March 10, 2021.

Additionally, the Company closed two tranches of a non-brokered private placement offering. Both tranches comprised of 23,185,146 units (the "Units") at a purchase price of \$0.0675 per Unit for aggregate gross proceeds of approximately \$1,564,997. The company also issued 710,500 finders units, each comprised of one Common Share and one Warrant in connection with the offering to certain arm's length finders.

ACCOUNTING POLICIES

See Note 3 of the consolidated financial statements for a summary of all significant accounting policies.

CRITICAL JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors considered relevant under the circumstances. Revisions to estimates and the effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The critical judgments, estimates, and assumptions applied in the preparation of the Company's condensed interim financial statements are reflected in Note 3 (f) of the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on expanding its business through growth with existing customers and scaling Reclaim to achieve continued growth and profitability. Nevertheless, the Company's future financial outlook will depend on its ability to find and secure financing and continuously introduce new products and enhancements to its customers. Other additional risks and uncertainties are described below.

a) Evolving Business Model

Reclaim's business model will continue to evolve. Reclaim seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Reclaim will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

b) History of Net Losses, Future Net Losses, Profitability not Guaranteed.

Reclaim has incurred losses in recent financial periods. Reclaim may not achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Reclaim

expects to continue to increase operating expenses as it implements initiatives to grow its business. If Reclaim does not earn sufficient revenues to offset these expected increases in costs and operating expenses, Reclaim will not be profitable. There is no assurance that future revenues will be adequate to generate the funds required to continue operations without external funding.

c) Future Capital Needs

Reclaim may need to raise funds through public or private financing if Reclaim incurs operating losses or requires substantial capital investment or for Reclaim to respond to unanticipated competitive pressures or take advantage of unforeseen opportunities. There can be no assurances that additional financing will be available on terms favorable to Reclaim or at all. Reclaim faces risks frequently encountered by early-stage entities. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams while maintaining adequate cost controls. Any failure to expand is likely to adversely affect Reclaim's business, financial condition, and results.

d) Limited Operating History

Reclaim became a public company in June 2019 and has a limited operating history as a public company. This lack of operating history may make it difficult for investors to evaluate Reclaim's prospects for success, and there is no guarantee that Reclaim's business model will achieve its strategic objectives. There is no assurance that Reclaim will be successful, and the likelihood of success must be considered in light of its relatively early stage of operation.

Reclaim is, therefore, subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. There is no assurance that Reclaim will be successful in achieving a return on shareholders' investment, and the likelihood of success must be considered in light of the early stage of operations.

e) Foreign Exchange Exposure

Reclaim continues to seek to expand its operations into the U.S. and international markets. Fluctuations in the currency exchange rate may affect the revenue and operations of Reclaim. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales in foreign markets grows.

f) Jurisdictional Risks

Reclaim is exposed to risks of changes in government policies, laws, and regulations in the countries in which it may operate or do business. Any changes in regulations or political conditions may adversely affect Reclaim's business. Reclaim's operations may be affected by

government regulations, including those concerning privacy laws and the use of personal data. In the event of a dispute arising from Reklaim's foreign operations, Reklaim may be subject to the jurisdiction of foreign courts or may not be successful in subjecting foreign companies or individuals to the jurisdiction of Canada.

g) Allegations of Intellectual Property Infringement

If Reklaim's products, services, or solutions employ a subject matter that is claimed under its competitors' intellectual property ("IP"), those companies may bring infringement actions or other IP claims against Reklaim.

Infringement and other IP claims can be expensive, and the result of any litigation is uncertain. Reklaim may not have the resources to defend against any infringement or IP claims. Reklaim may be forced to alter its business or discontinue certain products because of any court judgment or settlement.

h) Misappropriation of Reklaim's IP

Protection of Reklaim's IP is vital to its success. Reklaim currently protects its IP rights by registering its trademarks and has taken steps to patent certain inventions. These precautions may not be sufficient to prevent the misappropriation of Reklaim's IP or deter the independent development of similar products and services by competitors of Reklaim.

Litigation may be necessary to enforce Reklaim's IP rights. Regardless of the outcome, IP litigation could result in substantial costs, adverse publicity, or diversion of management and technical resources, any of which could adversely affect Reklaim's business. Moreover, due to the differences in foreign IP laws, Reklaim's IP may not receive the same degree of protection in foreign countries as it would in Canada or the United States. Reklaim's failure to maintain adequate protection of its IP rights for any reason could adversely affect its business.

i) Failure to Protect Platform

Any failure to protect Reklaim or Reklaim's platforms could harm its business and competitive position. There can be no assurance that any steps Reklaim has taken or intends to take will be adequate to defend and prevent the misappropriation of technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are designed around and are substantially equivalent or superior to Reklaim's technology.

j) Market Price Fluctuation

The market price of shares of Reclaim may be subject to wide fluctuations in response to many factors, including variations in the operating results of Reclaim and its subsidiaries, divergence in financial results from market expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Reclaim and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of Reclaim's control. In addition, stock markets have, from time to time, experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for shares of Reclaim.

k) Privacy Regulations,

In addition, several federal and provincial laws protect the confidentiality of personal information and restrict the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act (Canada)* ("**PIPEDA**") protect personal information by limiting the use and disclosure of personal information. Suppose Reclaim was found to violate the privacy or security rules under PIPEDA or other laws protecting the confidentiality of personal information. In that case, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation, and adversely affect the business, results of operations, and financial condition of Reclaim.

Reclaim is also subject to California's data protection law, *California Consumer Privacy Act* ("**CCPA**"). If Reclaim is found to be in violation of the CCPA, it could face fines of up to \$7,500 for each intentional violation and \$2,500 for each unintentional violation. Private rights of action may, which can be asserted on a class action basis, may also be allowed for violations of the CCPA.

l) Cybersecurity

Reclaim collects and stores sensitive data, proprietary business information, and personally identifiable information of its customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to Reclaim's business operations and strategy. Despite Reclaim's efforts to protect sensitive, confidential, or personal data or information, Reclaim may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors, and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to Reclaim's reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

m) Errors or Defects in Software

Due to the complexity and sophistication of Reklaim's software, from time to time, it may contain defects, security vulnerabilities, software "bugs" or failures that are difficult to detect, control, and correct. Reklaim may be unable to successfully correct such errors or defects in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, delay or loss in market acceptance, or damage to Reklaim's brand. Moreover, the consequences of such errors and defects could adversely affect Reklaim's business, growth, financial condition, and the result of operations.

n) Dependence on Strategic Relationships with Third Parties

Reklaim anticipates that the growth of its business will continue to depend on select third-party relationships.

o) Failure to Add New Users

The size of the user base of Reklaim is critical to Reklaim's success. Reklaim's financial performance has been and will continue to be significantly determined by Reklaim's success in adding, retaining, and engaging users of its products. If people do not perceive Reklaim's products to be useful, reliable, and trustworthy, Reklaim may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. If Reklaim cannot increase or maintain its user base and engagement, Reklaim's revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render Reklaim's products less attractive to users and marketers, which is likely to have a material and adverse impact on Reklaim's revenue, business, financial condition, and results of operations.

p) Reliance on Key Customers

Historically, a majority of Reklaim's sales have been to a relatively small number of customers for a significant portion of its revenue. While Reklaim expects this reliance to decrease over time, Reklaim will continue to rely on this relatively small number of customers for the foreseeable future. Reklaim must add new customers to sustain or increase its existing revenue. Despite Reklaim's efforts and investments in business development, sales, and market, it may not be successful in attracting new customers. If Reklaim fails to grow its current customer, it will be difficult for Reklaim to sustain and grow its revenue.

q) Need to Manage Growth

The growth of Reclaim's business and its products and services cause significant demands on Reclaim's managerial, operational and financial resources. Demands on Reclaim's financial resources will grow rapidly with Reclaim's expanding customer base. Additional working capital may be required, and there are no assurances that access to the capital required for future growth and expansion plans will be available.

Reclaim may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of Reclaim to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Reclaim to deal with this growth may have a material adverse effect on Reclaim's business, financial condition, results of operations, and prospects.

r) Limited Market for Securities

An active trading market for securities of Reclaim may not develop or be sustained going forward. The lack of an active market may impair an investor's ability to sell their securities of Reclaim at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of Reclaim. Further, an inactive market may also impair Reclaim's ability to raise capital by selling securities of Reclaim and may impair its ability to enter into collaborations or acquire companies or products by using the securities of Reclaim as consideration. The market price of securities of Reclaim may be volatile, and an investor could lose all or part of their investment. There can be no assurance that an active trading market for the securities of Reclaim will be sustained.

s) Significant Holdings by Limited Number of Existing Shareholders

Reclaim's management and directors own many of Reclaim's outstanding common shares (on a fully diluted basis). Reclaim's management and directors are in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions.

t) Dependency on Key Personnel

Reclaim's success depends upon the continued service of its senior management team. Reclaim employees may voluntarily terminate their employment with Reclaim at any time. The loss of services of key personnel could have a material adverse effect on Reclaim's business, financial condition, and results of operation.

u) Failure to Add New Accounts

Reklaim's financial performance will be significantly impacted by Reklaim's success in continuing to access such data and adding accounts, and obtaining account opt-ins to the Reklaim ecosystem, which allows Reklaim to build comprehensive data sets to sell to its customers. If accounts do not perceive Reklaim's platform to be useful, reliable, and trustworthy, Reklaim may not be able to obtain the requisite opt-in or otherwise maintain or increase the value of its data sets. If Reklaim is unable to increase its accounts, Reklaim's revenue and financial results may be adversely affected as customers may not purchase Reklaim's data sets. Any decrease in accounts could render Reklaim's products less attractive to its customers, which is likely to have a material and adverse impact on Reklaim's revenue, business, financial condition, and results of operations.

SHARE CAPITAL

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding on September 30, 2022:

	<u>Number Outstanding</u>
Common shares	92,640,206
Warrants	30,950,464
Stock Options	<u>1,554,933</u>
Fully Diluted	125,145,603

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company has exposure to counterparty credit risk, liquidity risk, and market risk associated with its financial assets and liabilities. The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and, ultimately, shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal controls, and sound business practices.

The Company's financial instruments and the nature of the risks to which they may be subject to are set out in the following table.

	Risks			
	Credit	Liquidity	Market	
Foreign Exchange			Interest Rate	
Cash and cash equivalents	Yes		Yes	
Trade receivables	Yes		Yes	
Other receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Loan Payable		Yes		Yes

The carrying values of cash and cash equivalents, trade receivables, other receivables, trade and other liabilities, and loan payable approximate their fair values due to their relatively short periods to maturity.

Credit risk

Credit risk arises from cash held with banks and trade receivables, and these financial assets are subject to the expected credit loss model. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions and minimizes the credit risk of trade receivables by monitoring the counterparty's creditworthiness and setting exposure limits.

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past the transaction date to measure the expected credit losses. The expected loss rates are based on the payment profiles of sale over a period of 24 months before December 31, 2021. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the creditworthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables (Note 6) are the result of billings of services performed. The Company's credit risk arises from the possibility that a counterparty that owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

The carrying amount of trade receivables are reduced through the use of an allowance for credit loss and the amount is recognized in the consolidated statement of loss and comprehensive loss in general and administrative expenses. The Company closely monitors all receivable balances, when a balance is over 180 days past the transaction date the Company evaluates whether this balance is uncollectible. It is determined to be uncollectible when the customer has ceased communications for greater than 90 days or has communicated non-payment due to liquidity issues and the Company does not believe other recourse would be financially beneficial and there is no reasonable expectation of recovery. When a receivable balance is considered uncollectible, it is written off against the allowance for credit loss. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The Company has considered the future impact of COVID-19 on the timing and collections of trade receivables. The Company will continually reassess the scope, duration, and impact on our customers to determine COVID-19's impact on liquidity and credit risk.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as of September 30, 2022, and December 31, 2021:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at September 30, 2022					
Trade and other liabilities	\$ 2,001,302	-	-	-	\$ 2,001,302
Loan payable	4,043	8,086	19,161	19,432	50,722
Secured debentures	-	-	154,541	1,096,026	1,250,567
	<u>\$ 2,005,345</u>	<u>\$ 8,086</u>	<u>\$ 173,702</u>	<u>\$ 1,115,458</u>	<u>\$ 3,302,591</u>
As at December 31, 2021					
Trade and other liabilities	\$ 1,457,711	-	-	-	\$ 1,457,711
Loan Payable	3,614	7,228	18,193	25,411	54,446
	<u>\$ 1,461,325</u>	<u>\$ 7,228</u>	<u>\$ 18,193</u>	<u>\$ 25,411</u>	<u>\$ 1,512,157</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the fair value of a financial instrument or its future cash flows.

The Company operates internationally with a subsidiary in the United States. The Company is, therefore, subject to foreign currency risk. The Company reports its financial results in Canadian dollars. Most of the Company's revenues are transacted in U.S. currency. The Company incurs expenses in both Canadian and U.S. dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

As at September 30, 2022, the Canadian entities US-dollar net monetary assets totaled approximately US -\$301,943 (CAD -\$402,158) (December 31, 2021, net monetary assets – US -\$279,931 (CAD -\$354,897)) and the Company’s United States subsidiaries US-dollar monetary net liabilities totaled approximately US \$64,287 (CAD \$85,624) (December 31, 2021 – US -\$4,806 (CAD -\$6,093)). A 10% strengthening in the Canadian dollar against the United States dollar as at September 30, 2022 would have increased comprehensive loss and decreased shareholder’s equity by \$147,217 (2021 - \$28,495). A 10% weakening would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

Capital management

The Company’s objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as equity and debt, comprising issued common shares, warrants, contributed surplus, accumulated deficit, and loans payable. The Company seeks to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital, and overall capital expenditures. Since its inception, the Company has primarily financed its liquidity needs through private and public common shares and loan placements. The Company’s objectives when managing capital are to ensure that the Company will continue to have enough liquidity to fund operations and proceed with rapid product development that will support the evolving data-driven industries. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the company's relative size, is reasonable.

CONTRACTUAL OBLIGATIONS

The Company has non-cancellable contracts for rent and cost of services; the commitments are as follows:

	As at
	<u>September 30, 2022</u>
Less than one year	\$ 228,620
Between one and five years	-

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

KEY MANAGEMENT COMPENSATION

Compensation for key management personnel, including the Company's officers and directors, was as follows for the period:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries, benefits, and contractors	\$ 284,491	\$ 68,500	\$ 570,254	\$ 240,011
Stock based compensation	7,085	1,883	21,022	13,263
Board fees and related stock based compensation	18,273	6,057	36,519	19,998
Total key management compensation	\$ 309,849	\$ 76,440	\$ 627,795	\$ 273,272

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of Reclaim Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts based on management's best estimates that have been made using careful judgment. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the consolidated financial statements. Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing consolidated financial statements.