



REKLAIM



REKLAIM LTD.

Management's Discussion & Analysis
As of September 30, 2024, and 2023

DATED: November 13, 2024

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 [Reklaim](#) ("the Company") and the notes to those statements for the three and nine months ended September 30, 2024. The accompanying condensed consolidated interim financial statements have been prepared and are the responsibility of Reklaim's management. The consolidated financial statements, including comparatives, have been prepared per 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, which constitute 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 growth of the Company's user base, the Company's strategic partnerships, the Company's development of revenue generated, the Company's plans to scale its business, the introduction of new products and features, improvements to user experience on the Reklaim 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 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 Reklaim platform; and the inability of the Company to implement its growth strategy. 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 Reklaim 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.

Reclaim Highlights for the three and nine months ended September 30, 2024

- The Company achieved record Q3 revenue of \$1,487,321 and \$3,315,204 for the three and nine months ending September 30, 2024, an increase of 61% and 23% over the same periods last year.
- Positive cash flow from operations for the nine months ending September 30, 2024, was \$260,062, an increase of \$236,834 or 1,020% over the same period last year.
- The Company achieved positive EBITDA of \$359,978 and \$418,441 for the three and nine months ending September 30, 2024, respectively, compared to \$174,586 and \$489,997, an increase of 106% and a decrease of 15% compared to the same periods last year. The decline in YTD EBITDA was due to investments in the sales team in the first half of 2024.
- Gross Margins increased to 82% and 81% for the three and nine months ending September 30, 2024, improving by 2% and 3% compared to the same periods last year.
- The Company's cash position remained stable at \$394,680 as of September 30, 2024, compared to \$164,279 as of December 31, 2023.

Key Performance Indicators (“KPIs”) for the three and nine months ended September 30, 2024

- Platform revenue, encompassing ‘Audiences’ and ‘Deals’ (Deals combine Reclaim data and publisher inventory in a vertically integrated buy), increased by 58% and 30% for the three and nine months ending September 30, 2024, compared to the same periods in 2023.
- Deal revenue increased by 3403% and 213% for the three and nine months ending September 30, 2024, compared to the same periods in 2023.
- Identity revenue, representing 21% of total revenue, increased by 62% and 1% for the three and nine months ending September 30, 2024, compared to the same periods in 2023.

CEO Letter

Chapter 3, 2024

I often view these MD&A updates as [chapters](#) in a book, a narrative that unfolds over time. This 'book' has six sections, starting in 2019, each year containing four chapters (quarters). When we launched this company in the shell of its predecessor, [Freckle](#), the world was beginning to shelter in place as COVID-19 spread. Starting a nascent business during that time was challenging. Those first few years were capital-intensive and hard, and I am glad to have those years behind us. Business is never 'easy,' but evolving from concept to product to validation to now scale - all of these stages require very different tactics. I read the [Berkshire](#), [Dimon](#), [Amazon](#), and [other](#) CEO letters each quarter and model this essay around those. I have always appreciated the opinions of those CEOs, who have a better vantage point than the media and have always found more knowledge in these letters than what is typically found in a research report or media article. As it relates to this industry and privacy, I would like to think that I sit on a perch that provides more visibility than most, so these quarterly letters are meant to share with you what I see. Take what you will from these thoughts and views; they are not all facts, and some are just opinions. Hopefully, they will allow you to understand this market better and make more informed choices regarding your investment in [Reklaim](#) and other companies you may be looking at.

As we conclude Chapter 3 (Q3-2024) and work through Chapter 4 (Q4-2024), I encourage investors to look at previous [chapters](#) to stay informed of the more prominent themes in the market that are impacting the Company today and in the future. Understanding the macro I highlight below will help you better understand the micro of Reklaim.

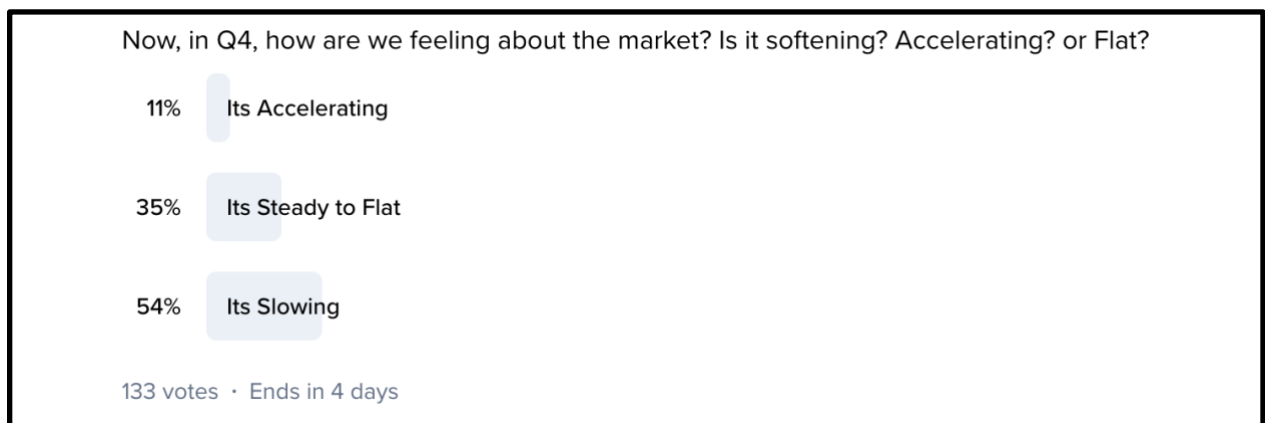
You have many choices as an investor; we appreciate you considering Reklaim.

The Market:

Q3 earnings reports from major advertising holding companies (Holdco's) and platforms indicate that the market continues to expand at a 'goldilocks' pace, neither too hot nor too cold. These holding companies serve as reliable indicators of the advertising sector's health, managing significant portions of corporate advertising budgets and comprising a portion of Reklaim's client base. Notably, [Publicis](#), one of the four leading Holdco's, has raised its growth forecast for 2024 to approximately [5.5%](#). Recent Q3 results from Omnicom and Publicis revealed [5.6%](#) and [6.5%](#) growth, respectively, underscoring positive momentum across the sector. This sustained growth suggests a favourable market environment where Reklaim is positioned to outpace market averages. Reklaim's Q3 performance, with revenue growth exceeding 60%, demonstrates its ability to capture market share and adapt more swiftly to privacy-centric shifts, significantly surpassing the growth rates of established market players.

Looking ahead to Q4, the conclusion of political advertising— typically a significant driver of market activity in this quarter, though less so for Reklaim—will provide a clearer view of organic

market growth as we approach 2025. While projections for Q4 remain positive, there are signs of concern among the seller community. Reklaim's recent [survey](#) of 133 industry sellers highlights a potential market softening: 54% reported a slowdown in spending, 35% indicated stability, and only 11% observed growth. This is a slight improvement over our Q2 [survey](#), which highlighted 63% of sellers thought the market was slowing. These insights from frontline sellers, who interact closely with market dynamics daily, underscore the need for cautious optimism. At Reklaim, however, we anticipate continued revenue acceleration, driven by an expanded network of sellers and increased brand recognition, positioning us to capitalize on broader market reach and deeper client engagement.



source: [sellercrowd](#)

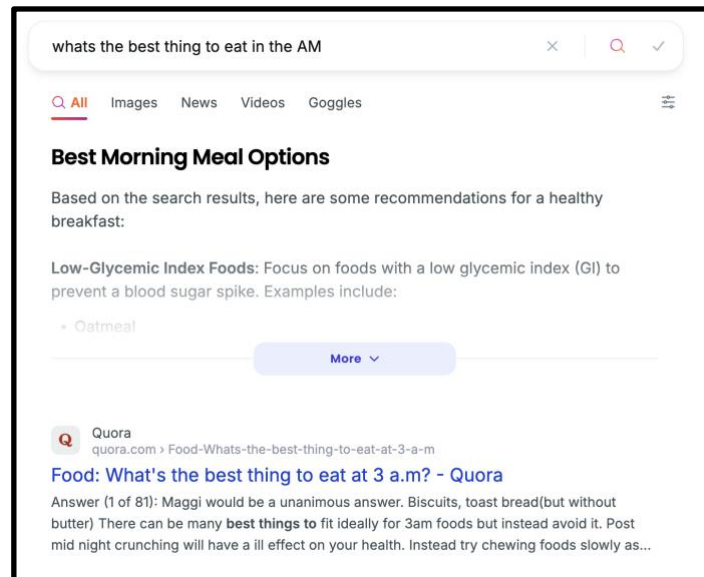
The Open Web Is In BIG Trouble

In previous chapters, we discussed the impact of cookie removal on the open web and the advertising market. While Google has backtracked on this, there is a new threat that may turn out to be a larger risk than cookie depreciation: AI Overviews.

So, what exactly are AI overviews? Unlike traditional search results, where users enter a query and are presented with links to explore, AI overviews synthesize information from multiple sources and provide a complete answer directly in the search interface. Consumers no longer need to click through to publishers' sites to get the information they want. For publishers, this change is seismic. We're talking about a publisher model that sustains 50-70% of their traffic—and the ad revenue tied to it—being bypassed in a single AI stroke.

While AI overviews undoubtedly simplify the user experience by providing instant answers, they effectively act as a barrier, diverting traffic away from source sites and bottlenecking the flow of revenue back to publishers. The same search algorithms that once amplified publishers' reach now serve as gatekeepers, centralizing engagement at the search engine level and devaluing original content in the process.

The impact is immediate and severe: reduced traffic means reduced revenue. Less revenue forces publishers to cut back on staff and content production, perpetuating a vicious cycle—less content leads to even lower traffic, and the spiral continues. Without intervention, this will spell the end for many publishers, leaving the only place for neutral content, Facebook and other social networks!



The above is an example of an AI overview. The AI-generated response is at the top of the page, followed by a series of links (Quora). In most cases, the result supplied by the AI overview is sufficient for the consumer, reducing the need to click through to an article.

AI's Insatiable Appetite for Data

One of the most paradoxical trends we're witnessing is the insatiable demand for data by AI systems, juxtaposed against the tightening grip of privacy laws. It's ironic, really—AI depends heavily on the very content it now threatens to render obsolete through mechanisms like AI overviews. But here's the critical question: What happens when the well runs dry? Where will it turn when powerhouse publishers like *The New York Times* and others have exhausted their AI licensing deals, and AI has mined all available public content? Inevitably, AI will pivot towards more personal consumer data to keep evolving (training). This is where the collision between AI's voracious appetite and the principles of privacy becomes unavoidable.

At Reklaim, we're not just preparing for this shift—we're positioned at the forefront. Our platform empowers consumers to control and monetize their data, allowing brands to access it in a privacy-compliant, transparent manner. This consumer-first approach isn't just about consent; it's about rethinking the value exchange in a data-centric world. With potential expansion into facilitating consumer-approved data for AI training, Reklaim could tap into a substantial new revenue stream while adhering to high standards of data ethics and privacy.

Consider the scale: global investments in AI are forecasted to hit \$500 billion by 2024, driven by industries scrambling for smarter, data-fueled models. Reclaim's evolution could seamlessly align with this trend, leveraging consumer empowerment to redefine how data feeds into the next generation of AI.

We look forward to providing updates on these trends and our progress in Q4.

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OVERVIEW OF THE BUSINESS

We are all consumers first. Every consumer has a data profile circulating on the open web. Unfortunately, none of us have access to it, nor do we know who has it, how it is being used, and whether it's being sold for profit. Reklaim is focused on changing this for the world's seven billion consumers. Reklaim's mission is to provide every consumer with access to their data, to view the data that is in the market, to see what companies are using it for, and to provide options regarding how they, the consumer, would like their data to be used, including direct compensation or protection. The future of data is driven by an acceleration towards privacy that includes the consumer in its decision-making. Reklaim aspires to be the brand facilitating this optionality and control for the consumer.

Consumers in North America can visit the [Reklaim](#) mobile application and add an email address or phone number to query what data is circulating on them today. Once validated, Reklaim cross-references this email address or phone number across data and security sources to show the currently available online data. With this transparency now supplied to a consumer, users can 'reclaim' this data by placing it in a Reklaim account they control. In a Reklaim 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 brands using their data. Should a user opt-in, they will be exposed to 'orders' from brands asking explicit permission to use the data the consumer has shared. If accepted by the consumer, they will receive weekly compensation that they can claim and redeem in various forms, including, but not limited to, PayPal. Orders are tied to a business model where the payment to the user goes up when Reklaim sells more data and down when it sells less. This is the royalty system Reklaim has created for users regarding their data. Reklaim earns a commission each time data is purchased. The more data in the platform, the more data can be sold. The more data sold, the more money the consumer (and Reklaim) makes, inspiring the consumer to share more data, which drives more sales. This is the Reklaim fly-wheel.

By offering compliant, [zero-party data](#) to brands, agencies, data platforms, and data companies, Reklaim provides an environment where these firms can purchase this data directly from the user, solving relevant compliance, fidelity, privacy, and user consent issues. Privacy regulations have changed increasingly, forcing companies to ensure that they have explicit consent from users to use their data. As Reklaim has a direct connection to the user, Reklaim can provide this explicit consent, solving an increasing need in the market.

[Reklaim](#) believes there is currently no Direct-to-Consumer ("DTC") brand in the consumer data market that provides the services that Reklaim does. In addition to providing data transparency and compensation to consumers, Reklaim has added privacy features such as dark web monitoring to alert consumers to whether their data has been breached in a data hack. Reklaim aspires to be the brand for everything related to consumers and their data, not just compensation.

OBJECTIVES

While the Company anticipates the growth of the number of consumer profiles and data per profile to continue, its focus is on driving increased profitable revenue by selling more of the data it currently has to more brands, agencies, and data companies while simultaneously expanding the distribution of Reclaim data. Profitability continues to be the company's focus. We are not prepared to burn cash on ego-driven metrics or initiatives that add unsustainable revenue or promotional visibility to the company. Investors should understand that the Company will grow as fast as its profitability and cash flow permit.

Key goals for 2024

- Grow topline revenue at a similar growth rate as experienced in 2023.
- Achieve continued profitability and generate positive cash flow for 2024.
- Reduce the amount of secured debentures outstanding.
- Reduce the number of outstanding warrants.
- Expand the number of B2B platforms that carry and expose Reclaim data to their clients.
- Focus on those data elements that require a higher level of compliance and opt-in, such as SPI and Ethnicity, and expand into Health data.
- Support a cash-neutral/cash-positive business by maintaining operating margins and cost controls and maximizing efficiencies in cloud hosting.

As we enter Q4, all 2024 goals mentioned above remain attainable. We have invested in the business to put us in a position to grow the top line and are confident we will maintain full-year profitability. Our market positioning of focusing on data that requires a higher level of compliance is resonating and is the foundation of our activity. We have agreed on a plan to eliminate the debentures and have seen a consistent exercise of warrants throughout 2024. Platforms that carry Reclaim data continue to grow. At the same time, we are eliminating those platforms that do not provide a suitable ROI for Reclaim so we can allocate our time and attention to those platforms that present more opportunities for Reclaim in the future.

Business-to-Business Growth

The Company is focused on increasing the volume of data sold to existing and new clients based on the insights generated from its current data profiles. We expect growth to continue on the same trajectory for upcoming quarters. Since last year, the Company has doubled its sales and client service teams to accelerate revenue opportunities and service existing customers.

Data Augmentation

Through strategic partnerships with data companies, these partners bring their data to Reclaim to augment the fidelity and consent of their data. The result is a zero-cost data acquisition model for Reclaim. Typical use cases for why partners bring their data to Reclaim are adding new identifiers such as email or a mobile ID to an existing profile. Adding these variables improves addressability, supplementing the loss of signals such as cookies, mobile IDs, and IP addresses due to privacy regulations and OEM (original equipment manufacturers) changes. Adding additional attributes such as age and gender to an existing profile or gaining 1x1 consent from a user due to the partner's inability to communicate directly with consumers are other reasons companies use Reclaim to augment their data. Reclaim is compensated each time it provides one of these partners with an enhanced profile.

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 AirB&B, Reclaim aspires to 'own' no data. Instead, it acts 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. Reclaim is the only company today offering consumers access to historically collected and sold data 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,	
	2024	2023	2024	2023
Revenue	\$ 1,487,321	\$ 923,966	\$ 3,315,204	\$ 2,695,697
Cost of Services	273,373	186,974	621,372	605,836
Gross Margin	1,213,948	736,992	2,693,832	2,089,861
General and administrative	348,029	389,886	1,183,203	1,104,330
Research and development	146,695	119,383	366,703	346,200
Selling and business development	358,290	178,186	915,259	362,046
Marketing	100,038	46,353	255,133	170,067
Total operating expenses	\$ 953,052	\$ 733,808	\$ 2,720,298	\$ 1,982,643

a) Revenue

The Company currently generates revenue through two revenue streams: Identity and Platforms. Identity revenue is generated by selling derivative data products with new identifiers, behavioural attributes, and explicit consent to data companies.

Platforms are different than Identity and act as the ‘grocery stores’ or marketplaces of the data market, where Fortune 500 brands and agencies visit to purchase their data. Data platforms include, but are not limited to, Demand Side Platforms (DSPs), which represent the buy side of media; Supply Side Platforms (SSPs), which represent the sell side; or publishers of media, DMPs (Data Management Platforms) which are data warehouses, and clean rooms which are privacy compliant data platforms. Similar to distribution in any other industry, the more outlets a product is carried in, the larger the opportunity for sale. Historically, the company has focused on expanded Platform revenue generated by selling audience segments on data platforms. Reclaim has since expanded Platform revenue to include DealIDs and Private Marketplace Deals (PMPs). DealIDs and PMPs are data combined with publisher inventory for a vertically integrated buy. This is a higher margin and higher revenue product for Reclaim, and in Q3, it grew to represent approximately 23% of total revenue.

Reclaim consistently looks to increase the number of distribution outlets within which its data is available, increasing its odds of making additional sales. Currently, the Company’s deals vertical is included in platform revenue.

The following chart shows the breakdown of revenue earned in the various channels for the three and nine months ending September 30, 2024 and 2023.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue				
Identity	\$ 281,937	\$ 173,817	\$ 700,261	\$ 695,832
Platform	1,205,384	750,149	2,614,943	1,999,865
Total revenue	\$ 1,487,321	\$ 923,966	\$ 3,315,204	\$ 2,695,697

The Company's total operating revenue increased to \$1,487,321 and \$3,315,204 for the three and nine months ending September 30, 2024, compared to \$923,966 and \$2,695,697 for the same periods in 2023 (an increase of 61% and 23% respectively).

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,	
	2024	2023	2024	2023
Data Engineering				
Salaries	\$ 12,500	\$ 12,500	\$ 37,500	\$ 37,500
Hosting fees	15,619	19,190	62,773	72,885
Total data engineering costs	\$ 28,119	\$ 31,690	\$ 100,273	\$ 110,385
Management Platforms	245,254	155,284	521,099	495,451
Total cost of sales	\$ 273,373	\$ 186,974	\$ 621,372	\$ 605,836

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, calculated as a percentage of gross revenue earned from the different platforms. As they are typically a percentage of revenue generated, these costs move directly in line with the revenue calculated from platform revenue.

The Company's gross margin is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2024	2023
Revenue	\$ 1,487,321	\$ 923,966	\$ 3,315,204	\$ 2,695,697
Cost of Services	273,373	186,974	621,372	605,836
Gross Margin	\$ 1,213,948	\$ 736,992	\$ 2,693,832	\$ 2,089,861
Gross Margin %	82%	80%	81%	78%

For the nine months ending September 30, 2024, the Company's gross margin improved by 4% to 82%, compared with 78% for the same period in 2023.

c) Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
General and administrative	\$ 348,029	\$ 389,886	\$ 1,183,203	\$ 1,104,330
Research and development	146,695	119,383	366,703	346,200
Selling and business development	358,290	178,186	915,259	362,046
Marketing	100,038	46,353	255,133	170,067
Total operating expenses	\$ 953,052	\$ 733,808	\$ 2,720,298	\$ 1,982,643

General and administrative expenses decreased to \$348,028 for the three months ended September 30, 2024, compared with \$389,886 for the same period in 2023. For the nine months ended September 30, 2024, these expenses increased to \$1,183,202 compared with \$1,104,330 for the same period in 2023, a decrease of 11% and an increase of 7%, respectively. The reduction for the three months was driven by a decline in interest and accretion expense, and the increase for the nine months ended September 30, 2024, was driven by stock compensation expense.

Research and development expenses increased to \$146,695 and \$366,703 for the three and nine months ending September 30, 2024, compared to \$119,383 and \$346,200 for the same period in 2023 (an increase of 23% and 6%, respectively). New hires primarily drove the increase.

Selling and business development expenses increased to \$358,290 and \$915,259 for the three and nine months ending September 30, 2024, compared to \$178,186 and \$362,046 for the same periods in 2023 (an increase of 101% and 153%, respectively). The increase was primarily driven by an increased investment in the sales team, with new hires and consultants added. The Company expects the new sellers to contribute to increased sales volume in Q4 and, more importantly, in 2025 so The Company can maintain its current growth rate.

Marketing expenses increased to \$100,038 and \$255,133 for the three and nine months ending September 30, 2024, compared to \$46,353 and \$170,067 for the same periods in 2023 (an increase of 116% and 50%, respectively). The increase was primarily driven by investment in online marketing to drive brand awareness.

SELECT QUARTERLY RESULTS

	2024				2023				2022	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	1,487,321	1,099,456	728,427	1,416,230	923,966	1,043,427	728,304	718,730	606,431	645,008
Cost of services	273,373	215,601	132,398	326,068	186,974	208,694	210,168	528,648	505,398	650,615
Gross profit	1,213,948	883,855	596,029	1,090,162	736,992	834,733	518,136	190,082	101,033	(5,607)
Total operating expenses	953,052	990,988	776,258	734,172	733,808	579,705	669,130	827,104	799,776	1,126,126
Other income	-	-	-	(80,031)	526,555	-	-	213	24,183	317,020
Net Income/(Loss)	260,896	(107,133)	(180,229)	275,959	529,739	255,028	(150,994)	(636,809)	(674,560)	(814,713)

CASH FLOWS

The Company's cash position was \$394,680 on September 30, 2024, compared to \$160,540 on September 30, 2023.

	Nine months ended September 30,	
	2024	2023
Cash flows used in operating activities before working capital	\$ 363,224	\$ 984,759
Changes in working capital	(103,162)	(961,531)
Cash flows from operating activities	260,062	23,228
Cash flows used in financing activities	(29,299)	(103,201)
Cash flows used in investing activities	(6,457)	(6,006)
Foreign currency translation difference	6,095	2,055
Increase/(decrease) in cash	\$ 230,401	\$ (83,924)

Operating activities:

For the nine months ending September 30, 2024, cash provided from operating activities increased to \$260,062 compared with \$23,228 from the same period in 2023. The positive change occurred due to the collection of receivables.

Financing activities:

For the nine months ending September 30, 2024, cash used in financing decreased to \$29,299 compared to cash used in financing of \$103,201 in the same period in 2023. The decrease is due to proceeds collected from the exercise of warrants, offset by interest payments.

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. The Company's CEO, Neil Sweeney, participated in this transaction as a related party of this amount.

On April 3, 2023, the company announced that it had entered into agreements to satisfy certain outstanding indebtedness owed to specific arm's length and non-arms-length creditors by issuing common shares. The Company settled approximately \$420,000, or 25.6% of its debt, by issuing 14,000,000 Common Shares at a deemed price of \$0.03 per Common Share.

On July 11, 2023, the Company entered into agreements with non-arms-length creditors by issuing common shares. The Company settled \$100,000 of the February 2022 Debentures by issuing 2,000,000 Common Shares at a deemed price of \$0.05 per Common Share.

On October 24, 2023, the Company entered into agreements with non-arms-length creditors by issuing common shares. The Company settled \$100,000 of the February 2022 Debentures by issuing 1,250,000 Common Shares at a deemed price of \$0.08 per Common Share.

On April 24, 2024, the Company settled \$100,000 of the February 2022 Debentures by cash payment.

On October 10, 2024, the Company agreed to satisfy \$100,000 of indebtedness owed to a non-arms-length creditor by issuing 1,111,111 common shares at a deemed price of \$0.09 per share. This note is also listed below under 'subsequent event.'

The Company is focused on reducing the outstanding balance on the secured debenture from 2022. Investors should expect the company to reduce this debt consistently over subsequent quarters. While the company plans to use proceeds from warrants exercised to pay down the outstanding debentures, should warrant holders, not exercise, the Company will issue more shares to convert debt to equity or look to raise capital to retire this debt.

As of September 30, 2024, the Company has 24,097,622 warrants outstanding, priced at \$0.10. These warrants, valued at \$2.4m, have expiry dates ranging from June 2025 to May 2026. The Company can force convert these warrants if the Volume-Weighted Average Price ("VWAP") of the underlying common shares exceeds \$0.15 for 20 consecutive days.

MATERIAL ACCOUNTING POLICIES

See Note 3 of the consolidated financial statements to summarize all material 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 continuously based on historical experience and other relevant factors. Revisions to estimates and the effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Note 3 (e) reflects the critical judgments, estimates, and assumptions to prepare the Company's consolidated financial statements.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on growing its business with new and 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 offerings. However, there can be no assurance that Reclaim can expand its operations cost-effectively 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 maintain profitability and may incur significant losses in the future. Reclaim needs to earn sufficient revenues to offset the expected costs and operating expenses so that Reclaim will be profitable. External funding is potentially necessary to ensure that future revenues will be adequate to generate the funds required to continue operations.

c) Future Capital Needs

Reclaim may need to raise funds through public or private financing if Reclaim incurs operating losses, requires substantial capital investment, responds to unanticipated competitive pressures, or takes 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 expansion failure will adversely affect Reclaim's business, financial condition, and results.

d) Limited Operating History & Size

Reclaim became a public company in June 2019 and has a limited operating history. This lack of operating history may make it difficult for investors to evaluate Reclaim's prospects for success. Reclaim's business model is not guaranteed to 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 subject to many risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations concerning personnel, financial and other

resources, and lack of revenues. There is no assurance that Reklaim will successfully achieve 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

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

f) Jurisdictional Risks

Reklaim is exposed to risks of changes in government policies, laws, and regulations in the countries where it may operate or do business. Any changes in regulations or political conditions may adversely affect Reklaim's business. Reklaim'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 successfully subject 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 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 infringement or IP claims. Reklaim, because of any court judgment or settlement, may be forced to alter its business or discontinue certain products because of Reklaim's IP

The protection of Reklaim's IP is vital to its success. Reklaim protects its IP rights by registering its trademarks and has taken steps to patent particular 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 protection in foreign countries as in Canada or the United States. Reklaim's failure to adequately protect its IP rights could adversely affect its business.

h) 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.

i) Market Price Fluctuation

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

j) 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 Reklaim 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 Reklaim.

Reklaim is also subject to California's data protection law, *California Consumer Privacy Act* ("**CCPA**"). If Reklaim is found to violate 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, which can be asserted on a class action basis, may also be allowed for violations of the CCPA.

k) Cybersecurity

Reklaim collects and stores sensitive data, proprietary business information, and personally identifiable information of its customers and employees in data centers and information technology networks. The secure operation of these networks and systems is critical to Reklaim's business operations and strategy. Despite Reklaim's efforts to protect sensitive, confidential, or

personal data or information, Reklaim may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors, 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 Reklaim's reputation or competitiveness, remediation or increased protection costs, litigation, or regulatory action.

l) 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 correct such errors or defects promptly or at all, resulting in lost revenue, significant expenditures of capital, delay or loss in market acceptance, or damage to Reklaim's brand. Moreover, such errors and defects could adversely affect Reklaim's business, growth, financial condition, and the result of operations.

m) Dependence on Strategic Relationships with Third Parties

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

n) Failure to Add New Users

The size of Reklaim's user base is critical to its 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 helpful, 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 grow 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.

o) Reliance on Key Customers

Historically, most 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, it will continue to rely on this relatively small number of customers in 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 successfully attract new customers. If Reklaim fails to grow its current customers, it will be difficult for Reklaim to sustain and grow its revenue.

p) Need to Manage Growth

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

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

q) Limited Market for Securities

An active trading market for Reklaim's securities may not develop or be sustained going forward. The lack of a dynamic market may impair an investor's ability to sell their Reklaim securities 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 Reklaim. Further, an inactive market may also impair Reklaim's ability to raise capital by selling Reklaim's securities and impair its ability to enter into collaborations or acquire companies or products by using Reklaim's securities as consideration. The market price of securities of Reklaim 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 Reklaim's securities will be sustained.

r) Significant Holdings by Limited Number of Existing Shareholders

Reklaim's management and directors own many of Reklaim's outstanding common shares (on a fully diluted basis). Reklaim's management and directors can exercise significant influence over matters requiring shareholder approval, including election and determining meaningful corporate actions.

s) Dependency on Key Personnel

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

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 as of September 30, 2024:

	Number Outstanding
Common shares	116,788,379
Warrants	24,097,622
Stock Options	10,237,021
Restricted Share Units	645,647
Fully Diluted	151,768,669

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 insurance, a system of internal controls, and sound business practices.

The Company's financial instruments and the nature of the risks 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
Secured debenture		Yes		Yes

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

Credit risk

Credit risk arises from cash held with banks and trade receivables, which 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. It reduces 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 sales over 24 months before September 30, 2024. 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 where the Company sells goods to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables (Note 4) result from 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 per 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 is reduced through an allowance for credit loss, recognized in the consolidated statements 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 more than 90 days or has communicated non-payment due to liquidity issues, and the Company does not believe other recourses 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.

As of September 30, 2024, it was determined that an allowance for credit loss of \$51,909 (2023 – \$176,210) was required, and uncollectible balances of \$nil (2023 – \$nil) were written off.

The aging of the Company's accounts receivable as of September 30, 2024, and 2023 was as follows:

	As at September 30, 2024	As at December 31, 2023
Current	\$ 971,749	\$ 995,134
31 - 60 days	90,664	86,094
61 - 90 days	14,243	105,604
over 91 days	42,310	47,034
Total accounts receivable	1,118,966	1,233,866
Allowance for credit loss	(51,909)	(42,745)
	<u>\$ 1,067,057</u>	<u>\$ 1,191,121</u>

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities. The exposures are managed partly by using natural hedges from fixed-rate borrowings.

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 growth objectives.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as of September 30, 2024, and December 31, 2023:

	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, 2024					
Trade and other liabilities	\$ 928,857	-	-	-	\$ 928,857
Loan payable	747	1,494	6,726	747	9,714
Secured debentures	-	-	964,462	-	964,462
	<u>\$ 929,604</u>	<u>\$ 1,494</u>	<u>\$ 971,188</u>	<u>\$ 747</u>	<u>\$ 1,903,033</u>
As at December 31, 2023					
Trade and other liabilities	\$ 1,162,398	-	-	-	\$ 1,162,398
Loan Payable	747	1,494	6,726	7,474	16,441
Secured debentures	-	67,752	67,016	1,087,752	1,222,520
	<u>\$ 1,163,145</u>	<u>\$ 69,246</u>	<u>\$ 73,742</u>	<u>\$ 1,095,226</u>	<u>\$ 2,401,359</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 and is subject to foreign currency risk. The Company reports its financial results in Canadian dollars. The majority of the Company's revenues are transacted in U.S. currency. The Company incurs expenses in both Canadian and U.S. dollars. The Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

As of September 30, 2024, the Canadian entities US-dollar net monetary assets totalled approximately US \$713,573 (CAD \$963,252) (December 31, 2023, net monetary assets – US \$583,239 (CAD \$779,327)) and the Company's United States subsidiaries US-dollar net monetary assets totalled approximately US \$10,848 (CAD \$14,644) (December 31, 2023 – US \$2,568 (CAD \$3,397)). A 10% strengthening in the Canadian dollar against the United States dollar as of September 30, 2024, would have increased comprehensive loss and decreased shareholder's equity by \$474,172 (2023 - \$356,030). 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 to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as equity and debt, comprised of issued common shares, warrants, contributed surplus, accumulated deficit, loans payable, and secured debentures. The Company seeks to ensure 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 funded its liquidity needs primarily through private and public placements of 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 to support the evolving data-driven industries. Management reviews its capital management practices continuously and believes that its approach, given the company's relative size, is reasonable.

CONTRACTUAL OBLIGATIONS

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

	As at
	September 30, 2024
Less than one year	\$ 1,123,726
Between one and five years	262,737

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 three and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Salaries, benefits, and contractors	\$ 131,143	\$ 115,651	\$ 376,506	\$ 285,763
Stock based compensation	818	2,577	105,578	13,937
Board fees and related stock based compensation	-	10,626	66,000	18,246
Total key management compensation	\$ 131,961	\$ 128,854	\$ 548,084	\$ 317,946

SUBSEQUENT EVENT

On October 10, 2024, the Company agreed to satisfy \$100,000 of indebtedness owed to a non-arms-length creditor by issuing 1,111,111 common shares at a deemed price of \$0.09 per share.

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. Management has prepared the consolidated financial statements 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 correctly recorded, and the financial records are reliable for preparing consolidated financial statements.