



RECLAIM



REKLAIM LTD.

Management's Discussion & Analysis
As of December 31, 2023, and 2022

DATED: April 8, 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 [Reclaim](#) ("**the Company**") and the notes to those statements for the nine months ended December 31, 2023. The accompanying consolidated financial statements have been prepared and are the responsibility of Reclaim'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 growth of revenue generated, the Company's plans to scale its business, the introduction of new products and features, 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; 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 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, options for how it should be used, or control over it. Reclaim is focused on changing this for the world's 7 billion consumers. Reclaim'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, to see how much revenue is being generated from it, and to provide options for consumers regarding how they would like their data to be used, including direct compensation. The future of data is driven by an acceleration towards privacy that includes the consumer in its decision-making. Reclaim aspires to be the brand facilitating this optionality and control for the consumer.

Consumers in North America can visit the [Reclaim](#) mobile application and add an email address or phone number to query what data is circulating on them today. Once validated, Reclaim cross-references this email address or phone number across thousands of data and security sources and shows the user the data others exploit. **Reclaim is the only company in the world that provides this service.** With this transparency now supplied to a consumer, the user can place this data in a Reclaim account controlled by them. 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 using their data. Should a user opt-in, they will be exposed to 'orders' from brands directly 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, crypto, gift cards, fiat via PayPal, or charitable donations. Orders are tied to a business model where the payment to the user goes up when Reclaim sells more data and down when it sells less. Reclaim 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 Reclaim) makes, inspiring the consumer to share more data, which drives more sales. This is the Reclaim fly-wheel.

By offering compliant, [zero-party data](#) to brands, agencies, data platforms, and data companies, Reclaim provides an environment where these firms can purchase this data directly from the user, solving relevant compliance, fidelity, privacy, and user consent issues.

[Reclaim](#) believes there is currently no Direct-to-Consumer ("DTC") brand in the consumer data market that provides the services that Reclaim does. By becoming the destination for consumers, its brand will become synonymous with consumer privacy.

Reclaim Highlights for the year ending December 31, 2023

- Year-over-year revenue growth of 74% to \$4,111,927 in 2023 from \$2,361,110 in 2022.
- The Company achieved a total income of \$872,139 for 2023, compared to a loss of (\$4,147,069) in 2022, a \$5,019,208 improvement over the past 12 months.
- Gross Margins improved 84% in 2023 to 77% for the year, compared to -6% in 2022.
- Q4 2023 revenue increased to a record \$1,416,230 from \$718,304 in the three months ending December 31, 2023, a 97% increase over the same period in 2022.
- Q4 2023 revenue increased to \$1,416,230 vs \$923,966 in Q3-2023, a 53% increase.
- Achieved recurring revenue of 92% in 2023, up from 86% for 2022.
- The Company reduced operating expenses by 38% in 2023 to \$2,716,815 compared to \$4,405,729 in 2022, an improvement of \$1,698,914.

Key Performance Indicators (“KPIs”) for 2023

Following our efforts to scale 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), our B2B sales efforts continue to scale. We track our progress with the following KPIs:

- Platform revenue, which represents 77% of total income, grew by 94% in 2023, and Identity revenue, which represents 23% of total revenue, grew by 29% in 2023 compared with 2022.
- The number of B2B customers grew to 127 at the end of 2023, compared to 107 at the end of 2022, a 19% increase.
- The Company has reduced its secured debentures by 38% in the fiscal year 2023.

OBJECTIVES

While the Company anticipates the growth of the number of consumer profiles and data per profile, 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. We are also not prepared for dilutive capital raising to support the above-mentioned initiatives. 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 through voluntary exercise.
- 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.

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. To accelerate its data monetization, the Company plans to increase the size of its existing sales team to generate more leads as cash flow permits.

Data Augmentation

Through strategic partnerships with data companies, security firms, and publishers, 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.

CEO OUTLOOK

The advertising market in the USA continues to remain buoyant, with market analyst Brian Weiser from Madison and Wall expecting the advertising industry to grow 5.6% in 2024. This prediction does not count US political spending, which is expected to exceed [\\$10b](#) and set a new bar for political ad dollars in the USA.

As we head into the 2024 year, we expect revenue and ad spending to continue to climb and are targeting a similar topline growth rate as 2023, albeit it will not be a straight line. We expect a slower ramp in the front of the year with Q1 flat as brands and agencies recalibrate their 2024 plans. We expect to see quarter-over-quarter improvement as the year progresses, with the back half of the year, especially Q4, representing the most significant percentage of the revenue as it historically always has.

Unlike in 2023, when the company was still streamlining its operation at the beginning of the year, in 2024, the company will start without these headwinds. Beginning the new fiscal with a stable cost structure, high gross margins, a solid recurring revenue line, and robust topline growth bodes well for a successful 2024. Quarter over quarter, the company continues to add additional distribution outlets for its data, add new logos to its active clients list, and return clients that have worked with Reclaim in the past. We expect this trend to continue. The additional tailwinds of state-level privacy acceleration, Google's removal of the cookie, and the consistent reclassification of data verticals to new categories that require explicit opt-in, which Reclaim specializes in, add additional torque to the Reclaim story in 2024.

Adding confusion to the start of the year is the beginning of the long-awaited removal of Google's third-party cookie from the Chrome browser, which comes into effect on January 4th, 2024. On this date, Google will remove 1% of all third-party cookies in the industry, beginning the process of eliminating them in their entirety by Q3-2024. As discussed in previous MD&As, the 'cookie' allows websites to track users on the open web, and publishers use this data to target consumers with advertisements, generating revenue. Google's Chrome browser, which holds 65% of the global browsing market share and 100% of the cookie market, as all other browsers have already removed cookies, is responsible for 100% of the revenue that the 1.8b websites online today generate. This mechanism for monetization is going to zero. I can not emphasize enough how unprepared the industry is for this cataclysmic change.

2024 has several additional high-profile events in the back half of the year, beginning with the Summer Olympics and ending with the US Election in the Fall. Both events should bring new spending into the market, which coincidentally will take place right when Google is scheduled to turn off cookies. The combination of the loss of the cookie and these tent poll events will cause more chaos and disruption in the advertising industry than at any other time. Reclaim should

benefit from companies looking to mitigate their exposure to the cookie by adding partners, such as Reklam, who can provide them with a cookieless solution.

While the loudest narrative in the market is Google's removal of the cookie, this should not obfuscate the number of other changes in the market contributing to fewer data signals and data supply from which companies can draw. A massive acceleration in state-level privacy throughout 2023 has led to several changes around what data can be collected, what level of consent is required, and the liability associated with ignoring these changes. Nowhere is this more prevalent than in the enterprise data category, where large public companies house data on every American with no ability to manage consumer opt-in or opt-out. Once the Belle of the Ball in the data industry, it's only a matter of time before state-level Attorney Generals turn their attention toward these platforms for infringing on their consumer's privacy rights. These platforms have begun to acknowledge this risk and have taken the reactionary approach of removing specific data verticals vs. attempting to gather consent. This short-term strategy kicks the consent can down the road but will eventually manifest with them needing to reevaluate their business models. The inflection point for these firms is accelerating, and fines, enforcement, and class actions are expected to be a dominant trend in 2024.

The notion of storing data without knowledge or consent is a natural segway into the collision course that AI is on with privacy. Ignoring the hysteria around AI and the constant media cycle around chip manufacturers, it's important to note that Reklam has been doing AI since day 1. AI is used in every department of Reklam and powers our audience models, which underpin our revenue line. This is not the trend I am following; instead, I believe AI is on a collision course with privacy because all AI models need data to train them. Your data. The similarities between larger enterprise data companies and AI are eerily similar. They use data as a 'free' input to build their business models. In the past, this free input turned the data market into what it is today. The data market's size and breadth over the past 20 years planted the seeds for AI to germinate to where it is now. But I think it gets more complicated from here. We have seen enormous pushback against firms in the social space around their use of consumer data; I expect to see a similar trend for companies in AI who have been collecting data on consumers to train their models.

As the narrative shifts from chips that power processing to the raw inputs required to train these models, AI will wrestle with privacy, and the best AI will look to access the most unique data. Yours. Companies that can supply high-fidelity, compliant data to companies looking to train models should fare well in the future.

Welcome to the AI revolution.

Privacy Updates in the USA

The US\$245 billion¹ data market is transitioning to a market that legally requires consumer inclusion. The global landscape of consumer data privacy continues to evolve rapidly, with various jurisdictions enacting legislation to enhance consumer inclusion and protection.

In the USA, 14 states have passed new privacy legislation requiring greater consumer inclusion and protection, and 19 states have proposed new legislation.

The momentum for enhanced consumer privacy has surged. In 2023 alone, seven states passed comprehensive data privacy bills, marking a significant increase in legislative action in this domain. In 2024, New Jersey and New Hampshire passed similar bills, further solidifying the trend toward enhanced privacy protections at the state level.

Many of these state laws are slated to take effect in 2024, with enforcement mechanisms implemented to ensure compliance. In January 2025, many of these laws are scheduled to come into full effect, signaling a new era of consumer data protection in the USA.

Recognizing that these comprehensive privacy bills are only some of the initiatives at the state level is essential. Various states are also implementing laws targeting specific industries and types of data. For instance, Washington state's "[My Health My Data Act](#)" focuses on health data protection.

In tandem with these legislative efforts, we have witnessed an acceleration in Federal Trade Commission (FTC) lawsuits against data companies such as [Avast](#) and [X-Mode](#). The FTC's increased scrutiny and enforcement actions underscore the growing emphasis on data privacy and the consequences of non-compliance.

The evolving regulatory landscape and the active pursuit of privacy violations by entities such as the Attorney General of California and the FTC underscores the heightened focus on consumer data protection. This litigious environment is expected to continue in 2024 as state Attorneys General and regulatory bodies intensify efforts to enforce privacy regulations on behalf of consumers.

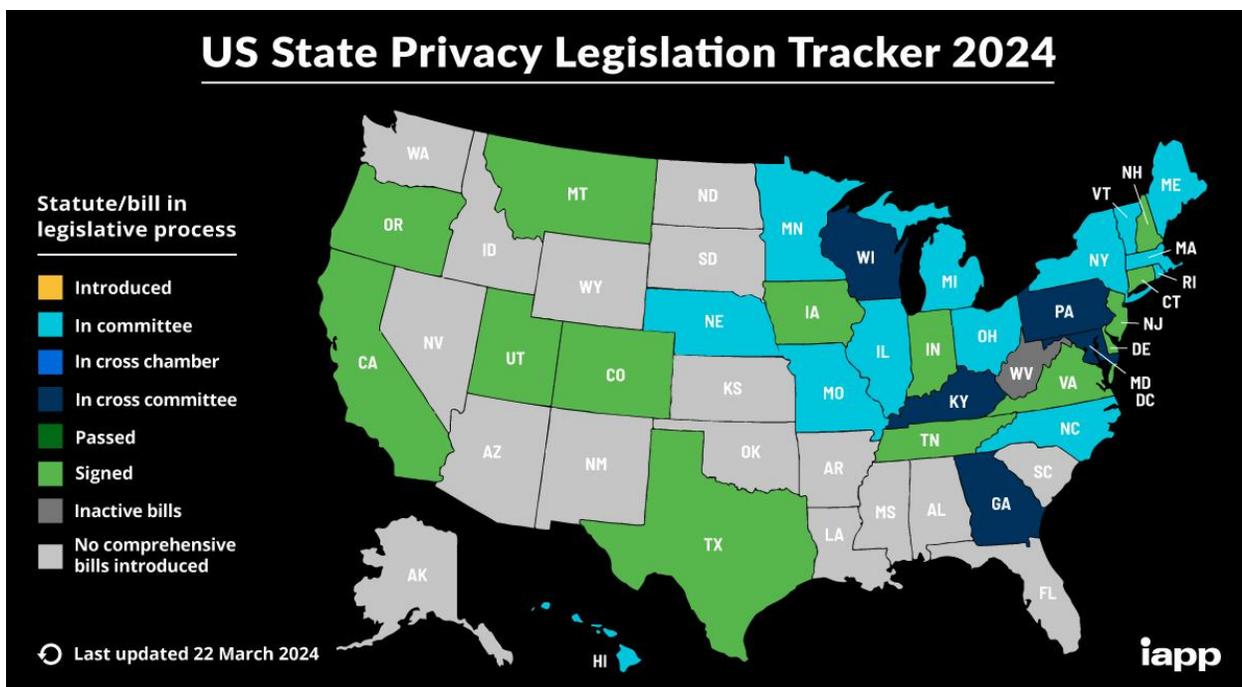
SPI: Sensitive Personal Information

Notably, 11 out of the 14 states with comprehensive data privacy laws, including Texas, Virginia, New Jersey, and Oregon, have implemented the SPI (sensitive personal information) category. This category requires explicit opt-in for data use, contrasting with the assumed opt-in that has

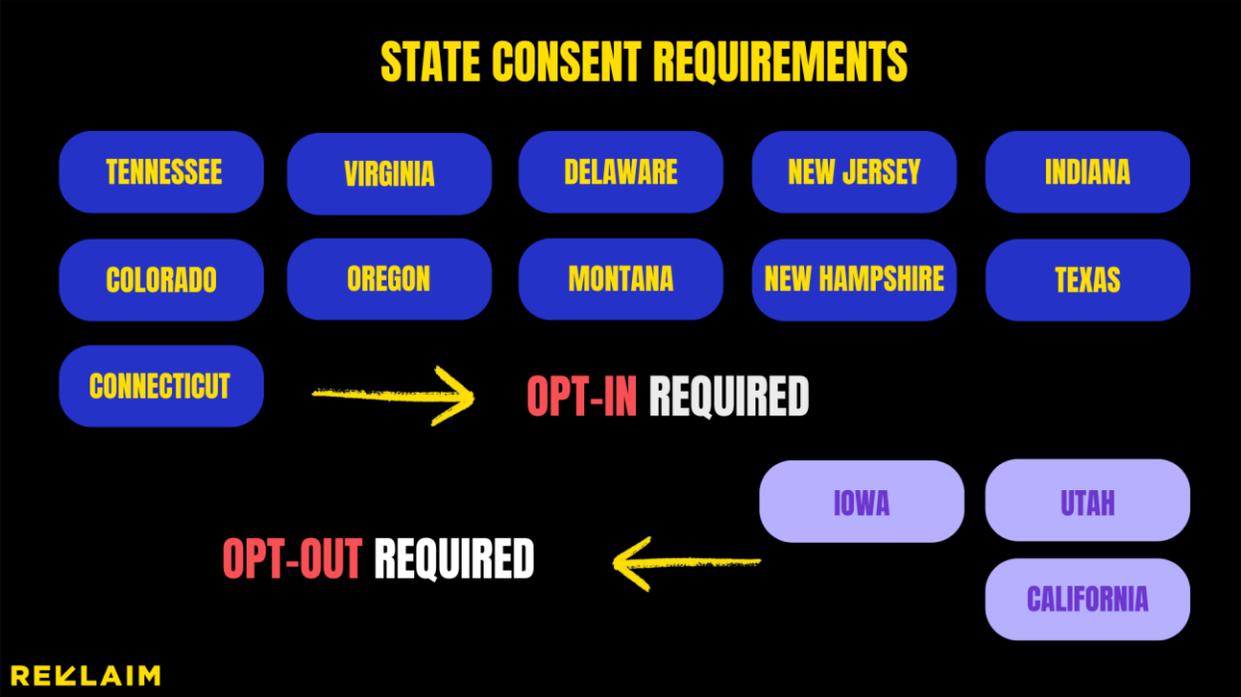
¹ <https://www.statista.com/statistics/1135046/value-of-data-market-us/#statisticContainer>

dominated advertising for the past 20 years. This shift significantly changes how data is handled, prioritizing user consent and privacy.

Unless consumers have explicitly opted-in, the passed bills in these 11 states do not allow the targeting of users in categories designated as SPI. Categories defined as SPI include Location data, Ethnicity data (Asian, African American, Hispanic), Health data, Credit information, Sexual orientation, and others. While Reclaim does not participate in all these categories (ex: location or credit card), it does in some areas, such as health and ethnicity data. Multicultural marketing is one of the fastest-growing advertising categories in North America, where multicultural consumers number approximately [40%](#) of the population, with only 5% of media being allocated towards this category. As Fortune 500 brands increasingly look to diversify and be more inclusive, the multicultural market is poised to receive a significant boost in years to come, but only if there is compliant SPI data they can use. Reclaim has this data and stands to benefit from this category and its regulation.



Source: <https://bit.ly/3zzOEu1>



The New Era of Health Data Privacy: A Close Look at Recent Developments

In addition to the comprehensive data privacy laws, some states are now implementing more industry and data-specific regulations. A critical focus is on health data, traditionally protected by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). With the rise of states requiring opt-in for SPI, which can include health data, additional safeguards are being implemented. Some states are even introducing bills specifically targeting non-covered HIPAA health data or expanding the definition of SPI to include health data. Notably, the "[Washington My Health My Data Act](#)" (MHMD) made waves in April 2023, marking a significant shift in privacy law akin to the impact of the [California Consumer Privacy Act](#) (CCPA) in 2018. This development, which may have flown under the radar initially, is now gaining attention, particularly with its effective date of March 31, 2024. Other states like [Nevada](#) and [Connecticut](#) have also passed similar bills.

OEMs: Apple & Google

In previous MD&As, we spoke extensively about the changes that OEMs such as Apple and Google were making to reduce the amount of data leaking from their ecosystems into the market. These changes remove the key input companies need to inform their decisions or to create competitive products, forcing them to abandon their product or find new data sources. In this iteration, we will focus on the removal of the cookie, as January marks the beginning of its demise.

First, the basics. On January 4th, 2024, Google deprecated 1% of users' cookies, demonstrating that the rumor of cookie loss was real. Google plans to expand this cookie removal over 2024, with 100% of cookies to be removed by Q3-2024.

Chrome is a browser with over 65% global market share and 100% of the cookie market (all the other browsers, such as Safari, Brave, and others, already block cookies). The removal of cookies 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. We have repeatedly stated that we believe that Google is working towards becoming a walled garden similar to Facebook and Amazon, where data generated inside Google will not leave the 'island' of Google. Facebook created this playbook, and Google (and Apple) are copying it. Under the guise of privacy, Google will justify this walled garden approach to validate the removal of the cookie 'due to privacy concerns.' The result will be that it cannot share data outside of the Google ecosystem, and all data from publishers will have to remain inside of Google and be monetized inside the Google ecosystem only.

One misconception is that removing the cookie prevents brands from advertising. It does not. Google is replacing the cookie with 'Privacy Sandbox,' a new advertising suite dramatically altering how brands advertise and the data they can collect. Privacy Sandbox does two key things; first, it prevents brands from targeting consumers 1x1 by putting all consumers into cohorts of similar users. This reduces the granularity that advertisers have been used to when working with the cookie that targets you 1x1. Secondly, Privacy Sandbox operates inside the Chrome browser, not the webpage, as cookies do. In doing this, the data (#cookie) that brands and companies have historically relied on to match consumers across the web is gone. The result of these two core changes is advertisers are left to depend on Google, have less granular targeting, and have virtually no ability to track individual users or their data.

Fun fact: while Google is rolling out this solution to brands and advertisers, it's important to note that Google itself does not use this product; it continues to rely on your data inside of its walls, allowing it to target you 1x1 as they always have. While marketed as a way to preserve privacy, this is done because Google can provide a more accurate solution organically so that brands will work with them directly versus a third party.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	2023	2022
Revenue	\$ 4,111,927	\$ 2,361,110
Cost of Services	931,904	2,491,804
Gross Margin	3,180,023	(130,694)
General and administrative	1,499,239	1,846,069
Research and development	433,361	911,297
Selling and business development	556,292	813,829
Marketing	227,923	834,534

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, behavioral attributes, and explicit consent to data companies.

The company's focus is platform revenue generated by selling audience segments to data platforms. These data platforms act as the grocery stores of the data market, where Fortune 500 brands and agencies visit to purchase their data. Similar to distribution in any other industry, the more outlets a product is carried in, the larger the opportunity for sale. Reclaim aspires to increase the number of distribution outlets its data is available within, increasing its odds of making additional sales.

The following chart shows the breakdown of revenue earned in the various channels for the year ending 2023 and 2022.

	2023	2022
Revenue		
Identity	\$ 932,439	\$ 720,220
Platform	3,179,488	1,640,890
Total revenue	\$ 4,111,927	\$ 2,361,110

The Company's total operating revenue increased to \$4,111,927 for the year ending 2023, compared to \$2,361,110 for the year ending 2022 (an increase of 74%). This increase was due to the Company's focus on monetizing the scale of its data, while increased distribution channels have brought our products to a broader client base. We've seen a significant boost in brand awareness, driving client interest. Additionally, continued revenue from our existing client base was foundational to our success.

The Company's other income is as follows:

	<u>2023</u>	<u>2022</u>
Other income		
Gain on sale of Freckle business unit	\$ -	\$ 4,446
Other income	446,524	339,775
Interest income	-	1,693
Total other income	<u>\$ 446,524</u>	<u>\$ 345,914</u>

The 'gain on sale of Freckle business unit' directly relates 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 the settlement of a dispute regarding payables from a former vendor. The amounts resulted in a recapture of expenses that the company had previously expensed in its cost of services.

Additionally, in 'Other income', for the year ended December 31, 2023, the Company recognized a \$80,000 loss on debt settlement related to the debt conversions (Note 9). This loss was due to differences in stock price from when the conversion agreements were signed to the issuance of the common shares.

Interest income relates to interest earned on funds from a deposit account.

b) Cost of Services/Gross Margin

The Company's cost of services is as follows:

	<u>2023</u>	<u>2022</u>
Data Engineering		
Salaries	\$ 50,000	\$ 217,604
Hosting fees	90,692	1,699,186
Total data engineering costs	\$ 140,692	\$ 1,916,790
Management Platforms	791,212	575,014
Total cost of sales	<u>\$ 931,904</u>	<u>\$ 2,491,804</u>

In 2023, the Company renegotiated and canceled vendor contracts with high fees, reducing hosting fees overall compared to 2022. New partnerships and the removal of certain vendors drastically improved margins in 2023. As a result of these changes, the margins presented in 2023 are expected to represent the new normal for the business.

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:

	2023		2022	
Revenue	\$	4,111,927	\$	2,361,110
Cost of Services		931,904		2,491,804
Gross Margin	\$	3,180,023	\$	(130,694)
Gross Margin %		77%		-6%

For the year ending 2023, the Company's gross margin improved to 77% from -6% in 2022. The Company has continued to reap the benefits of automation and cost reduction through efficient hosting architecture to support the Company's scale of data. The Company expects the gross margin to maintain this current rate for the coming quarters.

c) Expenses

	2023		2022	
General and administrative	1,499,239		1,846,069	
Research and development	433,361		911,297	
Selling and business development	556,292		813,829	
Marketing	227,923		834,534	
Total operating expenses	2,716,815		4,405,729	

General and administrative expenses decreased to \$1,499,239 for the year ending 2023, compared to \$1,846,069 for 2022, a decrease of 19%. The decrease was primarily driven by lower salaries, legal, consulting, financing fees, travel, and rent, offset by interest and finance expenses.

Research and development expenses decreased to \$433,361 for the year ending 2023, compared to \$911,297 for 2022, a decrease of 52%. The decrease was primarily driven by lower headcount and streamlined hosting fees for the Company's data architecture.

Selling and business development expenses decreased 32% to \$556,292 for the year ending 2023, compared to \$813,829 for 2022. A decrease in headcount primarily drove the reduction.

Marketing expenses decreased to \$227,923 for the year ending 2023, compared to \$834,534 for 2022, a decrease of 73%. This was primarily driven by lower headcount, a lower user balance liability from the application due to improved fraud detection, and reduced paid advertising.

SELECT QUARTERLY RESULTS

	2023				2022				2021	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	1,416,230	923,966	1,043,427	728,304	718,730	606,431	645,008	390,941	441,858	230,284
Cost of services	326,068	186,974	208,694	210,168	528,648	505,398	650,615	807,143	489,627	469,544
Gross profit	1,090,162	736,992	834,733	518,136	190,082	101,033	(5,607)	(416,202)	(47,769)	(239,260)
Total operating expenses	734,172	733,808	579,705	669,130	827,104	799,776	1,126,126	1,652,723	2,001,843	1,360,909
Other income	(80,031)	526,555	-	-	213	24,183	317,020	4,498	12,960	39,921
Net Income/(Loss)	275,959	529,739	255,028	(150,994)	(636,809)	(674,560)	(814,713)	(2,064,427)	(2,036,652)	(1,560,248)

CASH FLOWS

The Company's cash position was \$164,279 on December 31, 2023, compared to \$244,464 on December 31, 2022.

The Company currently has 26,232,292 warrants outstanding at \$0.10. These warrants were issued during a capital raise in June 2022. The Company has a 'force option' on these warrants and can convert them if the Volume-Weighted Average Price ("VWAP") of the underlying common shares exceeds \$0.15 for 20 consecutive days.

	<u>2023</u>	<u>2022</u>
Cash flows used in operating activities before working capital	\$ 1,486,987	\$ (3,775,431)
Changes in working capital	(1,428,474)	444,333
Cash flows from (used in) operating activities	58,513	(3,331,098)
Cash flows (used in) from financing activities	(91,613)	3,064,056
Cash flows (used in) from investing activities	(9,492)	4,446
Foreign currency translation difference	(37,593)	43,440
Decrease in cash	\$ (80,185)	\$ (219,156)

Operating activities:

For the year ending 2023, cash provided from operating activities increased by 102% compared to 2022. The material efficiencies reduced expenses in every department, combined with a growing revenue line and continued cost reduction, resulting in this positive change and decrease.

Financing activities:

For the year ending 2023, cash received from financing decreased by 103% compared to 2022. 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 through the issuance of 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 of the Company. 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.

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. The Company believes warrant holders will prefer exercising their shares vs. being diluted by the Company converting more debt to equity or raising money in a new capital raise. The Company has no plans to raise new money.

The Company currently has 26,232,292 warrants outstanding, priced at \$0.10, issued during the June 2022 capital raise. These warrants, valued at \$2.6m, expire in June 2025. 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 used 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

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.

Reklaim 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 may be forced to alter its business or discontinue certain products because of any court judgment or settlement.

h) Misappropriation 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 Reclaim's business. Moreover, due to the differences in foreign IP laws, Reclaim's IP may not receive the same protection in foreign countries as in Canada or the United States. Reclaim's failure to adequately protect its IP rights could adversely affect its business.

i) Failure to Protect Platform

Any failure to protect Reclaim or Reclaim's platforms could harm its business and competitive position. There can be no assurance that any steps Reclaim 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 Reclaim'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 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 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 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.

l) 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.

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 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.

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 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.

p) Reliance on Key Customers

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

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 supervise 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 Reclaim'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 Reclaim 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 Reclaim. Further, an inactive market may also impair Reclaim's ability to raise capital by selling Reclaim's securities and impair its ability to enter into collaborations or acquire companies or products by using Reclaim's securities 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 Reclaim's securities will be sustained.

s) 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 the election of directors and the determination of meaningful corporate actions.

t) 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 on December 31, 2023:

	Number Outstanding
Common shares	112,821,495
Warrants	26,232,292
Stock Options	9,267,021
Restricted Share Units	117,647
Fully Diluted	148,438,455

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, 2023. 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 5) 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, which is 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 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 December 31, 2023, it was determined that an allowance for credit loss of \$42,745 (2022 – \$127,137) was required, and wrote off uncollectible balances of \$166,863 (2022 – \$nil).

The aging of the Company's accounts receivable as of December 31, 2023, and 2022 was as follows:

	As at December 31, 2023	As at December 31, 2022
Current	\$ 995,134	\$ 485,746
31 - 60 days	86,094	3,847
61 - 90 days	105,604	19,393
over 91 days	47,034	174,362
Total accounts receivable	1,233,866	683,348
Allowance for credit loss	(42,745)	(127,137)
	\$ 1,191,121	\$ 556,211

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 December 31, 2023, and December 31, 2022:

	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 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>
As at December 31, 2022					
Trade and other liabilities	\$ 1,971,905	-	-	-	\$ 1,971,905
Loan Payable	4,043	8,086	10,022	16,442	38,593
Secured debentures	-	99,209	97,591	1,936,547	2,133,347
	<u>\$ 1,975,948</u>	<u>\$ 107,295</u>	<u>\$ 107,613</u>	<u>\$ 1,952,989</u>	<u>\$ 4,143,845</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. 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 December 31, 2023, the Canadian entities US-dollar net monetary assets totaled approximately US \$583,239 (CAD \$779,327) (December 31, 2022, net monetary assets – US (-\$402,861) (CAD -(\$572,034)) and the Company's United States subsidiaries US-dollar monetary net monetary assets totaled approximately US \$2,568 (CAD \$3,397) (December 31, 2022 – US (-\$170,996) (CAD (-\$232,418))). A 10% strengthening in the Canadian dollar against the United States dollar as of December 31, 2023, would have increased comprehensive income (loss) and decreased shareholder's equity by \$356,030 (2022 - \$168,151). 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
	December 31, 2023
Less than one year	\$ 325,232
Between one and five years	1,351,959

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 year ending 2023 and 2022:

	2023		2022	
Salaries, benefits, and contractors	\$	425,103	\$	509,157
Stock based compensation		74,165		174,196
Board fees and related stock based compensation		15,846		36,988
Total key management compensation	\$	515,114	\$	720,341

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.