



RECLAIM



REKLAIM LTD. (FORMERLY KILLI LTD.)

Management's Discussion & Analysis
As at December 31, 2022, and 2021

DATED: April 5, 2023

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

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of [Reclaim](#) (formerly Killi Ltd.) ("the Company") and the notes to those statements as for the year ended December 31, 2022. 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, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve several risks and uncertainties, including statements regarding the addition of accounts and the conversion of such accounts to users; the growth of the Company's active user base; the Company's strategic partnerships; the Company's growth of revenue generated; the Company's plans to scale its business; the Company's communications with accounts; the introduction of new products and features such as Data Earnings; My Footprint; improvements to user experience on the Reclaim platform; and the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will," "may," "should," "continue," "anticipate," "believe," "plan(s)," "estimate," "project," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management. These risks and uncertainties could cause actual results to differ materially from those indicated. Such risks and uncertainties include, but are not limited to: the Company may not be successful in acquiring data, adding accounts to its platform, or converting such accounts to users; the Company's active user base may not grow despite the Company's efforts; the Company may not be able to cultivate strategic partnerships in the future; the Company's revenue may not increase over time; the Company may not be able to scale its business; the Company may not be successful in obtaining opt-in from the accounts; the Company may not introduce any new products or features; the Company may not be able to improve user experience on the Reclaim platform; and the ability 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 single consumer with access to their data, to view the data that is in the market; to see what companies are using it for; to see how much revenue is being generated from it, and; to provide options for consumers regarding how they would like their data to be used.** 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. **87% of North Americans can find data on themselves in the Reclaim ecosystem when adding more than one email or phone number. 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. 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 receive a weekly paycheck that they can claim weekly and have redeemed into various forms, including, but not limited to, crypto, gift cards, a product sample box, or charitable donations. The weekly paycheck is tied to a business model where the payment 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 (Fair Trade Data), solving relevant issues regarding compliance, fidelity, privacy, and user consent.

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

Reclaim Highlights for 2022

- **Year-over-year growth of 136% to \$2,361,110 from \$1,000,200. This 2022 annual revenue represents a new high for the Company.**
- **Q4 2022 revenue increased to a record \$718,730 from \$454,585, a 58% increase over Q4 2021.**
- **Q4 2022 revenue increased to \$718,730 from \$606,431, a 19% increase over Q3 2022.**
- **Gross Margins improved 87% to -6% for the year ended 2022, compared to -44% in 2021.**
- **The company increased its gross margin by 59% from Q3-2022 to Q4-2022, moving from 16% to 26% in Q4-2022.**
- **Recurring revenue grew to 86% for 2022, compared to 73% in 2021.**

Key Performance Indicators (“KPIs”) for 2022

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 vs. the first calendar quarter), our B2B sales efforts continue to scale. We track our progress with the following KPIs:

- **Revenue generated through Global data platforms increased by 32% in Q4 2022 over Q3 2022 and by 109% year-over-year. We anticipate growth to continue in this channel with the addition of other distribution partners, increased volume of data, and the organic growth of existing platforms and clients.**
- **The number of B2B customers improved to 107 at the end of Q4 2022 compared to 85 in Q4 2021. This represents a 26% increase year-over-year.**
- **To ensure ongoing engagement and reduce potential fraud, the company updated the ‘paycheck’ redemption process requiring users to ‘claim’ their weekly paycheck. This change resulted in improved user engagement and a 27% reduction in costs from Q3 2022 to Q4 2022.**

OBJECTIVES

Reklaim now has millions of accounts on its platform through strategic partnerships with data companies, security firms, and publishers. These partners bring their data to Reklaim to augment the fidelity and consent of their data. The result is a zero-cost data acquisition model for Reklaim. Typical use cases for why partners bring their data to Reklaim are; adding new identifiers such as email or mobile ID to an existing profile to improve addressability in the face of the removal of some identifiers (cookies) in the market, adding attributes such as age and gender to an existing profile, or to gain 1x1 consent from a user due to the partner's inability to communicate directly with consumers. Reklaim is compensated each time it provides one of these partners with an enhanced profile.

While the Company anticipates the number of consumer profiles and data per profile to continue growing, adding more data to the Reklaim ecosystem is not the company's priority. Instead, the focus is 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 Reklaim data. Reklaim does not suffer a sales 'demand' problem but is limited in its headcount and capital regarding what it can support. In today's environment, we are not prepared to burn capital for the sake of additional topline growth. Profitability is our focus. As we continue to grow revenue, so too will our ability to capture more of the latent demand in the market as we will staff accordingly.

MARKET OUTLOOK

Government Privacy Initiatives

The US\$245 billion¹ data market is transitioning from one of consumer inclusion to one that legally requires it.

The EU, Canada, California, Colorado, Virginia, Utah, and Connecticut have passed consumer data privacy laws requiring more consumer inclusion.

Furthermore, 28 U.S. states² have proposed privacy bills focusing on consumer inclusion and privacy. In addition, in January 2023, the California Privacy Right Act (CPRA) came into effect, an amendment to its predecessor, the California Consumer Protection Act (CCPA). This law created the California Privacy Protection Agency (CPPA), which, amongst duties, will enforce the rules enshrined in the California Consumer Privacy Act.

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

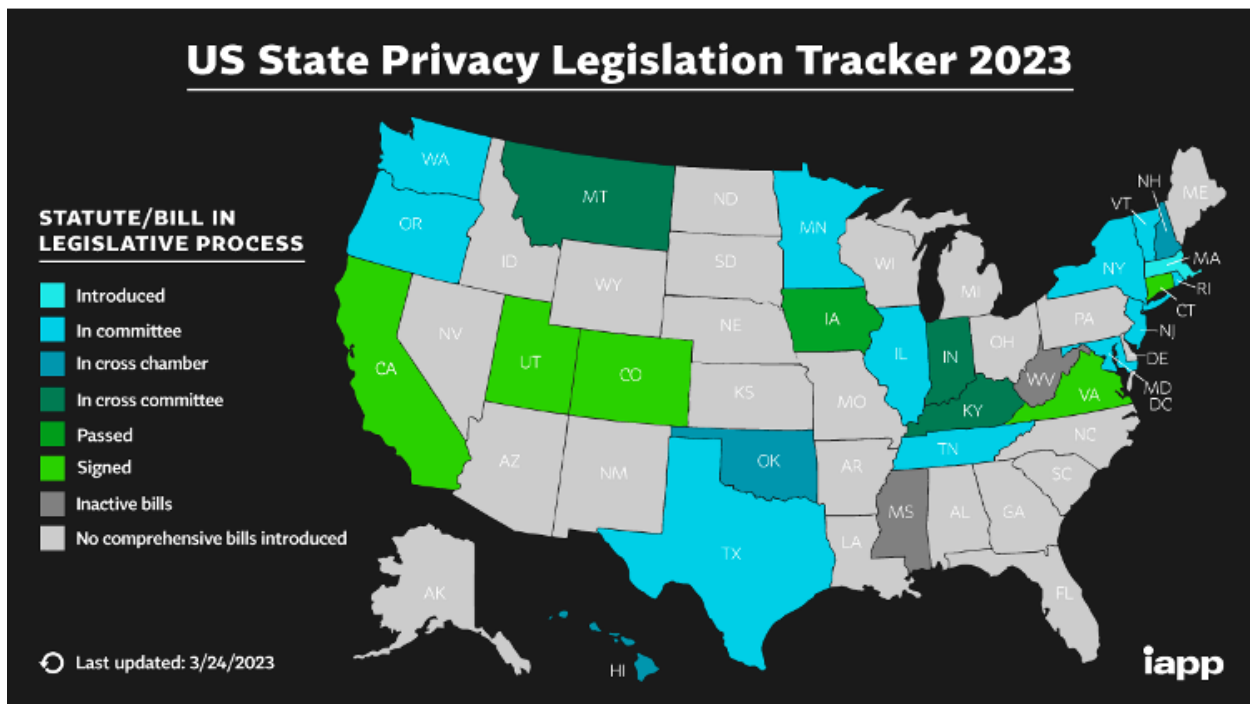
² <https://iapp.org/resources/article/us-state-privacy-legislation-tracker/>

Additionally, the Attorney General of California has been actively pursuing brands like [Sephora](#) that do not align with privacy. This litigious environment is expected to accelerate in 2023 as both the AGs and CPPA look to enforce their agenda, and more class action lawsuits on behalf of consumers arise.

SPI: sensitive Personal Information

Accelerating this transition has been the introduction of the SPI (sensitive personal information) category in states such as California and Virginia, which require explicit opt-in vs. the assumed opt-in that has dominated advertising for the past 20 years.

Unless consumers have explicitly opted-in, these states and three others in 2023 can not legally target users in categories designated as SPI. Categories designated as SPI include Location Data (*which is why we sold the Freckle location business*), Ethnicity data, Health data, Credit information, and others. While Reklam does not participate in many of these categories (ex: location or credit card), it does in some, such as multicultural 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. Reklam has this data and stands to benefit from this category and its regulation.



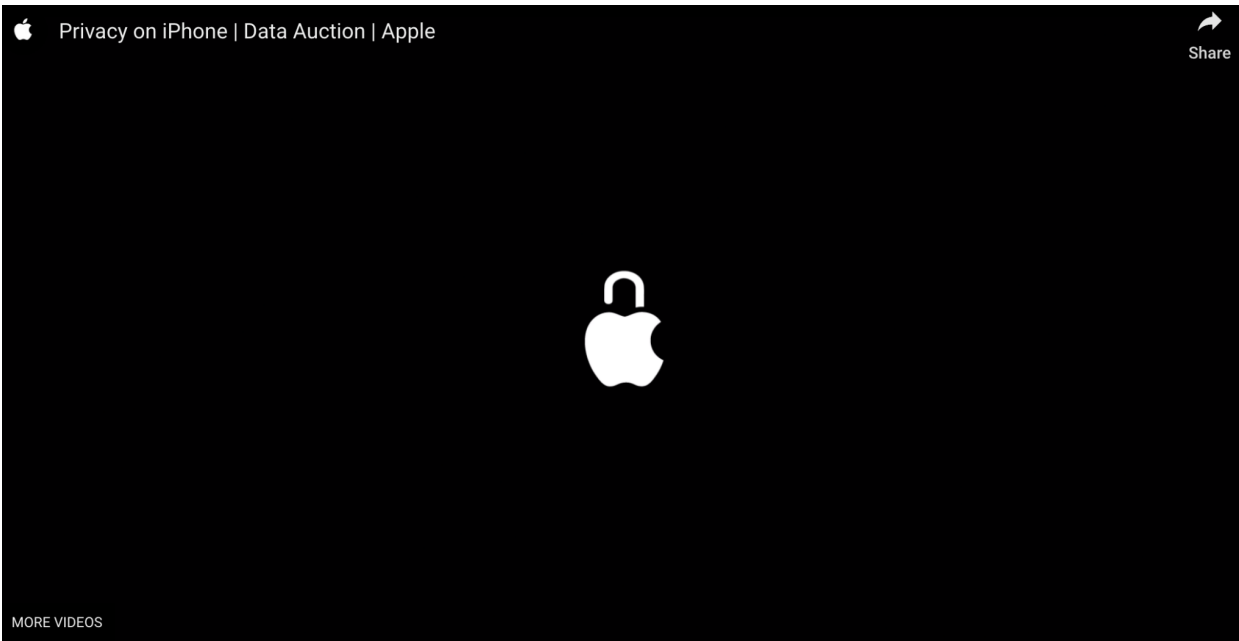
Source: <https://bit.ly/3zzOEu1>

The market is accelerating towards a market of consumer inclusion as well as opt-in vs. opt-out. A tailwind to these changes will be increased privacy and OEM changes that will lead to a collapse of data suppliers in the market who cannot remain compliant, creating an enormous opportunity for Reclaim for those clients looking for a new supplier.

Without a U.S. federal data privacy law (although the Information Privacy and Data Transparency Act was re-introduced), enterprises that use unconsented consumer data face legal and logistical issues to remain compliant across state lines. CEOs of companies that collect and ingest data are looking to neutralize this liability by partnering with companies that can provide the required data to run their businesses while mitigating this legal and supply exposure. Reclaim is this company.

OEMs: Apple & Google

Compounding state-level privacy issues are the actions of technology firms to protect user data, primarily Apple and Google. Apple now allows iOS users to opt out of ad tracking (via ATT - [Advanced Ad Tracking](#)), which over [75%](#) of users do. Translated, this means two things; before this change, this data was being automatically collected with no consumer knowledge or inclusion (#awesome), and secondly, the removal of approximately 75% of data that firms have historically used to run their businesses has led to a massive supply disruption that is impacting virtually every application listed on the Apple app store today (there are [1.76m apps](#) in the Apple App store). The impact is real, and nobody is paying attention. In [Q4 2021, Facebook announced a USD\\$10 billion reduction](#) in earnings due to the Advanced Ad Tracking (ATT) privacy change in Apple. A similar number was allocated in 2022. Due to an inability to track on Apple devices, write-downs occurred at Twitter, SNAP, Pinterest, and other companies that rely on this data. The introduction of ATT by Apple is only the first of many changes at Apple that will restrict the use of consumer data. Apple has strategically decided to differentiate in the market not on design or processing power but by 'privacy.' Investors should note when the most prominent company in the world decides that privacy is something they should lead with. Expect more brands to follow.



Source: <https://youtu.be/NOXK4EVFmJY> <https://youtu.be/fjf7c-05GyQ>
<https://youtu.be/rEWeA7qDV4k>

Additional privacy initiatives introduced by Apple over the past year that further restrict consumer data are as follows:

- [Private Relay](#) - which encrypts the data that leaves your device, preventing people from creating a profile about you.
- [Sign In with Apple](#) - hides your email when logging into a site and eliminates tracking by the site you have logged in to.
- [Mail Privacy Protection](#) - prevents IP address, geolocation, time, device type, browser/platform, and 'open' flags from being recorded.

With Apple's privacy initiatives, data leaks from their devices will be limited in the future. As a result, any company that has historically relied on this OEM to provide them with data is exposed and will need to find a new supplier (Reclaim) or cease to exist.

Apple does not hold the exclusivity on privacy; Google is moving as quickly to implement privacy changes to fend off [anti-trust concerns](#) but also future-proof their business. The most high profile of these announcements is that Google would [ban](#) third-party cookies in Chrome, a browser with over 65% global market share and virtually 100% of the cookie market (all the other browsers, such as Safari, Brave, and others, already block cookies). The cookie removal by Google will remove tracking for the 1.8 billion websites operating on the open web today that rely on this variable to monetize their property. This is a critical point. Without the cookie, 1.8b websites will lose 100% of their targeting, which theoretically could eliminate 100% of their revenue and

make the open web as we know it go dark. The above result is that every publisher must find a new supplier or risk going dark. 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. This playbook was created by Facebook (the most dominant walled garden) and is being copied by Apple, Google, and Amazon. 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. It's already happening. YouTube, owned by Google, used to be monetized outside of Google by third-party platforms until Google pulled all inventory behind its walls and forced the purchasing inside of Google only. The impact on Google is enormous. YouTube has [2.6b global visitors monthly](#), [9x more than Netflix](#), and is the world's most dominant video ad platform.

Lost on the market is just how much data Google is supplying the rest of the advertising market, and what would happen if this supply ceased to exist or be provided? Examining the market for [Demand Side Platforms](#) (DSPs), which allow brands to purchase publishers' inventory via a bidding system, indicates the disruption ahead. On average, 10%-30% of the 'supply' (think advertising space) that companies such as The Trade Desk, Viant, MediaMath, and +100 others monetize comes directly from Google via an intricate bidding waterfall. In short, Google passes data to external companies (DSPs) to build products to compete directly against them for advertising dollars. This is what Google is attempting to eliminate under the guise of 'privacy.' Should this supply be cut or restricted, it will result in massive disruption in both the competition and viability of third-party platforms and lead to consolidation of these platforms removing competition for Google. The world needs an alternative to the walled gardens of Facebook, Google, and others.

Privacy is the perfect excuse to cut the oxygen from the market for companies that rely on data from Google. As outlined above, the canary in the coal mine is already dead; just nobody has noticed.

Fundamental change is required in how platforms procure data. Facebook, Google, Apple, and others believe the data in their systems is THEIRS, not the consumers. We disagree. Everything will stay the same as long as the ecosystem supports data moving from a user to a platform vs. the other way around. Reclaim believes data transference needs to invert, that data should reside at the consumer level, and that each platform that wants to use your data must come to the consumer first. In this world, data and consent live with the consumers, no data resides in the platforms, and control moves from Zuckerberg to the consumer. We are building this at Reclaim and are further ahead than anyone else.

Reclaim is positioned to take advantage of this supply reduction as the reduction accelerates. Brands, companies, and advertising agencies, who all currently buy data today, will continue buying data in the future but instead will be required to find a new supplier that is both compliant and has scale. The Company stands to benefit from our data as brands, agencies, and platforms are cut off from their previous supply and are forced to look to new companies that can provide data at a scale that is both compliant and is not exposed to cookies.

The Company anticipates continued growth in the number of customers buying its data. We expect revenue per account to increase as the data segments and internal sales team grows. While we pursued selective M&A opportunities in 2022, we found them too expensive and excessively dilutive due to our market capitalization. We have abandoned these to focus our resources on our organic growth. This is not to suggest that we may not pursue these M&A deals in the future; instead, we are waiting for more realistic valuations in both our stock and the valuation of the acquired companies before pursuing them.

Key goals for 2023

- Expand the number of B2B platforms that carry and expose Reclaim data to their clients. Doing so will result in friction-free, high-margin recurring revenue for the business.
- International expansion of Reclaim data, starting with Canada, expanding into other foreign markets later in 2023. Global growth will allow Reclaim to leverage existing USA distribution pipes that service CAN and grow existing USA clients who purchase data in CAN from the USA.
- Introduction of 'deals' combining Reclaim data with premium inventory to allow existing clients to purchase an end-to-end privacy deal
- Focus on those data elements that require a higher level of compliance and opt-in such as SPI and Ethnicity, to support a critical gap in the North American multicultural market.
- Continue to focus on improved operating margins and cost reductions through maximizing efficiencies in cloud hosting to maintain a cash-neutral / cash-positive business.
- To restructure or eliminate 25% of the outstanding debt inside the business
- Continued iteration of the 'paycheck' to improve transparency and tie to a fluctuating model that compensates users +/- depending on Reclaim revenue.

Business-to-Business Growth

The Company is focused on increasing the volume of data sold to existing and new clients from the insights generated from its 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 in the USA to generate more leads when cash flow permits.

Accounts versus Active Users

In addition to individuals signing up directly to the Reclaim platform, the Company acquires consented data through partnerships with publishers and data companies. Like Uber and Airbnb, Reclaim aspires to 'own' no data. 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

	<u>2022</u>	<u>2021</u>
Revenue	\$ 2,361,110	\$ 1,000,200
Cost of Services	2,491,804	1,439,675
Gross Margin	(130,694)	(439,475)
General and administrative	1,846,069	1,870,693
Research and development	911,297	1,033,492
Selling and business development	813,829	1,340,387
Marketing	834,534	1,807,083

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.

Platform revenue is 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 chance for a purchase.

The following chart shows the breakdown of revenue earned in the various channels for the year ending 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Revenue		
Identity	\$ 720,220	\$ 330,603
Platform	1,640,890	669,597
Total revenue	2,361,110	1,000,200

For the year ended 2022, the Company's identity revenue increased to \$720,220, from \$330,603 for 2021 (an increase of 118%), and platform revenue increased to \$1,640,890 for 2022, from \$669,597 for 2021 (an increase of 145%). For 2022, the Company's total revenue increased 136% from 2021. This increase was due to the Company's focus on monetizing the scale, distribution, and increased awareness of our products.

The Company's other income is as follows:

	<u>2022</u>	<u>2021</u>
Other income		
Gain on sale of Freckle business unit	\$ 4,446	\$ 157,151
Other income	339,775	-
Interest income	1,693	10,657
Total other income	<u>\$ 345,914</u>	<u>\$ 167,808</u>

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

Other income relates to a gain on the reversal of accounts payable, which the Company's management determined to be no longer due.

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

b) Cost of Services/Gross Margin

The Company's cost of services is as follows:

	<u>2022</u>	<u>2021</u>
Data Engineering		
Salaries	\$ 217,604	\$ 311,468
Hosting fees	1,699,186	890,161
Total data engineering costs	\$ 1,916,790	\$ 1,201,629
Management Platforms	575,014	238,046
Total cost of sales	<u>\$ 2,491,804</u>	<u>\$ 1,439,675</u>

In Q4 2021, the company began streamlining the cost of sales to help the company move towards positive, profitable growth. While the total cost of sales increased by 73% in 2022 compared to 2021, the Company grew revenue at a higher rate than the increase in the cost of sales. Additionally, the cost of sale in the second half of 2022 was 29% lower than in the first half of 2022. We expect the total cost of sales for Q1 2023 to be materially lower than Q4 2022.

The data engineering costs are salaries, benefits, and web hosting/processing fees directly associated with sales rather than with Research and Development. The Company expects web hosting/processing fees to decrease dramatically in the coming quarters.

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

The Company's gross margin is as follows:

	2022		2021	
Revenue	\$	2,361,110	\$	1,000,200
Cost of Services		2,491,804		1,439,675
Gross Margin	\$	(130,694)	\$	(439,475)
Gross Margin %		-6%		-44%

For 2022, the Company's revenue line, combined with reduced services costs, improved gross margins. Year-to-date gross margins improved to -6%, compared to -44% in 2021, a gain of 87%. The Company will see improved gross margins for all products moving forward through automation, continued cost reduction, and growing platform revenue.

c) Expenses

General and administrative expenses increased to \$1,846,069 for the year ended 2022, compared to \$1,870,693 for 2021 (a decrease of 1%). The decrease was primarily driven by consulting expenses which was offset by an increase in interest and financing expenses, and license dues and subscriptions.

Research and development expenses decreased to \$911,297 for the year ended 2022, compared to \$1,033,492 in 2021 (a decrease of 12%). The decrease was primarily driven by streamlining hosting fees and the Company's data architecture.

Selling and business development expenses decreased to \$813,829 for the year ended 2022, compared to \$1,340,387 in 2021 (a decrease of 39%). The decline is due primarily to a shift in strategy, focusing on data marketplaces, which decreased salaries and headcount.

Marketing expenses decreased to \$834,534 for the year ended 2022, compared to \$1,807,083 in 2021 (a decrease of 54%). The decline is due primarily to a reduction in B2C marketing and accrued expense recovery from latent accounts in the Reclaim ecosystem.

SELECT QUARTERLY RESULTS

	2022				2021				2020		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue - continued operations	718,730	606,431	645,008	390,941	454,585	217,293	171,577	156,745	142,870	9,686	10,252
Revenue - discontinued operations					-	-	-	-	-	-	-
Total revenue	718,730	606,431	645,008	390,941	454,585	217,293	171,577	156,745	142,870	9,686	10,252
Cost of services - continued operations	528,648	505,398	650,615	807,143	489,627	469,279	260,533	220,237	351,420	32,860	2,022
Cost of services - discontinued operations					-	-	-	-	(14,119)	(59,321)	159,455
Total cost of services	528,648	505,398	650,615	807,143	489,627	469,279	260,533	220,237	337,301	(26,461)	161,477
Gross profit - continued operations	190,082	101,033	(5,607)	(416,202)	(35,042)	(251,986)	(88,955)	(63,491)	(208,550)	(23,174)	8,230
Gross profit - discontinued operations					-	-	-	-	14,119	59,321	(159,455)
Total gross profit	190,082	101,033	(5,607)	(416,202)	(35,042)	(251,986)	(88,955)	(63,491)	(194,431)	36,147	(151,225)
Total operating expenses	826,891	775,593	809,106	1,648,225	2,007,316	1,327,152	1,383,438	1,165,941	785,391	1,225,557	1,261,271
Net Loss	(636,809)	(674,560)	(814,713)	(2,064,427)	(2,042,358)	(1,579,138)	(1,472,393)	(1,229,433)	(979,822)	(1,189,410)	(1,412,496)

CASH FLOWS

The Company's cash position was \$244,464 on December 31, 2022, compared to \$463,620 on December 31, 2021.

	2022	2021
Cash flows used in operating activities before working capital	\$ (3,775,431)	\$ (6,348,565)
Changes in working capital	444,333	621,452
Cash flows used in operating activities	(3,331,098)	(5,727,113)
Cash flows from financing activities	3,064,056	4,525,669
Cash flows from (used in) investing activities	4,446	131,478
Foreign currency translation difference	43,440	14,086
Increase (decrease) in cash	\$ (219,156)	\$ (1,055,880)

Operating activities:

For the year ended 2022, cash spent on operating activities decreased by 42% compared to 2021. This decrease is primarily due to efficiencies found in cloud-based processing, data architecture, and reduced salaries.

Financing activities:

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

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

In 2023, the Company is focused on reducing its need for outside capital by driving positive cash-flow growth. A dramatic change in the company's cost structure in 2022, combined with increased revenue, has positioned the company to take advantage of this new efficient structure. This strategy will reduce the noise of the capital markets and the short-term investor, and allow the Company and long-term investors to control their destiny by focusing on the company's profitability.

ACCOUNTING POLICIES

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

CRITICAL JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed 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.

The critical judgments, estimates, and assumptions applied in preparing the Company's audited annual consolidated financial statements are reflected in Note 3 (e).

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 service offerings. 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 achieve or maintain profitability and may continue to 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 likely necessary to ensure that future revenues will be adequate to generate the funds required to continue operations.

c) Future Capital Needs

Reklaim may need to raise funds through public or private financing if Reklaim incurs operating losses or requires substantial capital investment or for Reklaim to respond to unanticipated competitive pressures or take advantage of unforeseen opportunities. There can be no assurances that additional financing will be available on terms favorable to Reklaim or at all. Reklaim 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 Reklaim's business, financial condition, and results.

d) Limited Operating History

Reklaim became a public company in June 2019 and has a limited operating history as a public company. This lack of operating history may make it difficult for investors to evaluate Reklaim's prospects for success. There is no guarantee that Reklaim's business model is not guaranteed to achieve its strategic objectives. There is no assurance that Reklaim 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 the revenue and operations of Reklaim. 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 certain inventions. These precautions may not be sufficient to prevent the misappropriation of Reklaim's IP or deter the independent development of similar products and services by competitors of Reklaim.

Litigation may be necessary to enforce Reklaim's IP rights. Regardless of the outcome, IP litigation could result in substantial costs, adverse publicity, or diversion of management and technical resources, any of which could adversely affect Reklaim's business. Moreover, due to the differences in foreign IP laws, Reklaim's IP may not receive the same 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.

i) Failure to Protect Platform

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

j) Market Price Fluctuation

The market price of shares of 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.

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 may, which can be asserted on a class action basis, may also be allowed for violations of the CCPA.

l) Cybersecurity

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

m) Errors or Defects in Software

Due to the complexity and sophistication of Reclaim’s software, from time to time, it may contain defects, security vulnerabilities, software “bugs,” or failures that are difficult to detect, control, and correct. Reclaim 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 Reclaim’s brand. Moreover, such errors and defects could adversely affect Reclaim’s business, growth, financial condition, and the result of operations.

n) Dependence on Strategic Relationships with Third Parties

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

o) Failure to Add New Users

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

p) Reliance on Key Customers

Historically, 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, Reklaim will continue to rely on this relatively small number of customers for the foreseeable future. Reklaim must add new customers to sustain or increase its existing revenue. Despite Reklaim's efforts and investments in business development, sales, and market, it may not successfully attract new customers. If Reklaim fails to grow its current customer, it will be difficult for Reklaim to sustain and grow its revenue.

q) Need to Manage Growth

The growth of 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 to implement and improve its operational and financial systems and to expand, train and supervise 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.

r) Limited Market for Securities

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

s) Significant Holdings by Limited Number of Existing Shareholders

Reclaim's management and directors own many of Reclaim's outstanding common shares (on a fully diluted basis). Reclaim's management and directors 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

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

u) Failure to Add New Accounts

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

SHARE CAPITAL

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding on December 31, 2022:

	<u>Number Outstanding</u>
Common shares	92,640,206
Warrants	31,845,204
Stock Options	<u>6,290,800</u>
Fully Diluted	130,776,210

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

The Company's financial instruments and the nature of the risks 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 payable approximate their fair values due to their relatively short periods to maturity.

Credit risk

Credit risk arises from cash held with banks and trade receivables, and these financial assets are subject to the expected credit loss model. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. 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 use 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 December 31, 2022. 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. The amount 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 greater 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, 2022, it was determined that an allowance for credit loss of \$127,137 (2021 – \$6,787) was required, and wrote off uncollectible balances of \$nil (2021 – \$nil).

The aging of the Company's accounts receivable as of December 31, 2022, and 2021, was as follows:

	As at December 31, 2022	As at December 31, 2021
Current	\$ 485,746	\$ 288,643
31 - 60 days	3,847	42,509
61 - 90 days	19,393	24,876
over 91 days	174,362	2,624
Total accounts receivable	683,348	358,652
Allowance for credit loss	(127,137)	(6,787)
	<u>\$ 556,211</u>	<u>\$ 351,865</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 December 31, 2022, and December 31, 2021:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at 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>
As at December 31, 2021					
Trade and other liabilities	\$ 1,457,711	-	-	-	\$ 1,457,711
Loan Payable	3,614	7,228	18,193	25,411	54,446
	<u>\$ 1,461,325</u>	<u>\$ 7,228</u>	<u>\$ 18,193</u>	<u>\$ 25,411</u>	<u>\$ 1,512,157</u>

Market risk

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

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

As of December 31, 2022, the Canadian entities US-dollar net monetary assets totaled approximately US (-\$402,861) (CAD (-\$572,034)) (December 31, 2021, net monetary assets – US (-\$279,931) (CAD (-\$354,897))) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US \$170,996 (CAD \$232,418) (December 31, 2021 – US (-\$4,806) (CAD (-\$6,093))). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2022 would have increased comprehensive loss and decreased shareholder's equity by \$168,151 (2021 - \$34,880). 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 on an ongoing basis 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, the commitments are as follows:

	As at
	December 31, 2022
Less than one year	\$ 227,799
Between one and five years	1,096,026

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 ended 2022 and 2021:

	2022	2021
Salaries, benefits, and contractors	\$ 509,157	\$ 379,937
Stock based compensation	174,196	16,935
Board fees and related stock based compensation	36,988	23,702
Total key management compensation	\$ 720,341	\$ 420,574

SUBSEQUENT EVENT

The Company has entered into agreements to satisfy certain outstanding indebtedness owed to specific arm's length and non-arm's length creditors (the "Creditors") through the issuance of common shares (the "Common Shares") of the Company (the "Debt Settlement"). The Company plans to settle indebtedness of approximately \$420,000, or 25.6% of the company's debt, by issuing 14,000,000 Common Shares at a deemed price of \$0.03 per Common Share. Mr. Neil Sweeney, the Chief Executive Officer of the Company, has agreed to convert \$250,000 of the debt owed to him. Mr. Sweeney is considered a related party to the Company.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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